

Rural COOPERATIVES

May/June 2016

Co-ops: Cornerstones for Rural Economy

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Farm Credit: Celebrating 100 Years of Service

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Commentary

Where credit is due

By Dan Campbell, Editor

With American farmers and ranchers holding two million memberships in agricultural cooperatives, it makes sense that many of them would also choose to meet their credit and other financial needs by doing business with a cooperative financial institution. That was just as true in 1916 as it is in 2016, which is why the nation's Farm Credit System is celebrating its 100th anniversary.

Farm Credit is a national network of financial

represent an extraordinary diversity of people and work.

We've included the profiles of seven of the Fresh Perspectives 100 in this magazine. If you aren't already bullish about the future of U.S. agriculture and rural America, you will be when you get done reading these profiles.

The honorees include a Kansas State University professor whose groundbreaking research into crop insurance programs resulted in what one industry trade journal calls "the single most important change in the history of the program." There's also a university student who is doing research into bio-energy crops that are being used to heat

Democratic control, operating to meet the needs of producer-members and dedication to making the communities of members more vibrant places to live and work are at the heart of Farm Credit's mission.

cooperatives owned by producer-members and directed through their elected boards. Democratic control, operating to meet the needs of producer-members (rather than outside investors), and dedication to making the communities of members more vibrant places to live and work have been at the heart of Farm Credit's mission since its founding. Through CoBank, the Farm Credit System also is a primary lender and service provider to farmer cooperatives.

Farming is a unique business. Producers are, to a large extent, at the mercy of the cyclical nature of commodity markets, weather patterns, wildly fluctuating foreign demand and exchange rates and many other factors, all of which combine to make agriculture a far "different animal" than any other business sector.

As such, agriculture requires a lender with specialized knowledge of the industry and a dedication to serving the men, women and cooperatives that produce food, fiber and bio-energy. They need a lender that is interested in more than "cherry picking" prime accounts and that is committed to serving the sector not just when the sun shines, but through the storms as well. Indeed, that is the rationale behind most of our nation's agricultural and other types of cooperatives.

One of the ways Farm Credit is observing its 100th birthday is through the selection of the Fresh Perspectives 100 — as impressive a group of innovative rural thinkers and leaders as you can find anywhere. The 100 honorees

and cool some of the facilities at Murray State University in Kentucky. They are joined by a Wyoming sheep rancher and member of the Navajo Nation who has become a champion for establishing FFA chapters for Native American youth in the West, helping to bridge what she sees as a "disconnect" between Indian youth and agriculture.

The year also marks the 90th anniversary of the Cooperative Marketing Act, which gave USDA the mission to help support a strong system of agricultural cooperatives across the nation. Specifically, the Act directs USDA to provide education, research, statistics and technical assistance to the co-op sector.

You are holding in your hands, or viewing on an electronic screen, evidence of USDA's continued work to fulfill this mission. USDA has published this magazine for 83 years to help expand understanding and use of the cooperative business system. It also publishes a half dozen or so other co-op reports each year — ranging from the annual cooperative statistics report to a new series of "how to" guides for food hub operators. During just the past 25 years, USDA has distributed about 1.2 million co-op educational and research publications — and that doesn't count all the Web viewings.

So, add 100 years of Farm Credit service to 90 years of USDA service to cooperatives, and that adds up to 190 years of commitment to building a stronger rural America, the cooperative way! ■

Features

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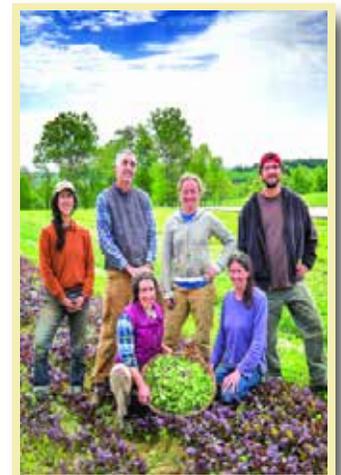
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ON THE COVER: The crew at Old Friends Farm in Amherst, Mass. "We depend upon them for an abundant supply of organic mixed greens and micro greens from early spring through early winter," says Natasha Latour, marketing manager for River Valley Co-op, in Northampton, Mass. "They are passionate about growing healthy, organic vegetables and flowers." Story on page 18. Photo by Jim Gipe/Pivot Media, Courtesy River Valley Co-op





A Century of Service

*From ox-power to GPS-guided tractors,
Farm Credit has been producers' financial co-op*



One hundred years ago, America's farmers and ranchers faced a significant lack of access to the capital they needed to manage and grow their operations. At the time, nearly a third of all Americans, about 31 million people, were farmers, so the need for a stable source of farm financing was great. Many lenders, then as now, had little understanding of the unique capital needs of production agriculture, and the impact of the ups and downs of commodity markets on farmers and ranchers.

The Farm Credit System was established to address this need. Formed by Congress as a network of cooperatively owned financial institutions, it was signed into existence on July 17, 1916, by President Woodrow Wilson. Today, the nearly 80 Farm Credit lending organizations across the nation remain

customer-owned cooperatives, sharing financial returns with their members. Like all cooperatives, they are democratically governed, with members who elect the boards of directors that guide the organizations.

"Farming is vital to this nation, and yet has so many uncontrollable variables," says Richard S. Monson, CEO of Farm Credit of Southwest Georgia.

"And that's where Farm Credit comes into the picture. Our business model ensures that there's a continual source of financing available in good times and when times get rough, to keep rural America strong and prosperous."

Less than one year after it was formed, Farm Credit made its first loan. It went to A.L. Stockwell, a sheep rancher in Larned, Kan., for the then not-inconsiderable sum of \$4,691.66. For all 100 years since that first loan was made, Farm Credit has continued to support

Editor's note: this article was provided by Farm Credit.

Nearly 80 Farm Credit lending organizations serve the needs of producers throughout the United States. Bottom: this time capsule, seen here at a ceremony 50 years ago in Kansas, was recently opened to mark the 100th birthday of the co-op lending system.



100
ESTABLISHED 1916



- **July 17, 1916:** The Federal Farm Loan System is created, enabling America's farmers and ranchers — many of whom lacked access to reasonable credit — to join together to create a cooperative credit system.
- **April 10, 1917:** Kansas farmer A.L. Stockwell receives the first-ever Farm Credit loan from the newly established Wichita Federal Land Bank to finance his family's farm just outside of Larned, Kan.
- **May 1, 1923:** Farmers and ranchers are still struggling to obtain operating credit, so Farm Credit begins offering intermediate-term credit through commercial banks and other existing financial institutions.
- **June 16, 1933:** The re-named Farm Credit System introduces short-term production lending, extends loans to agricultural cooperatives and provides emergency credit that helps millions caught in the grip of the Great Depression save their farms.
- **December 10, 1941:** Occupying a strategic position in the nation's food supply chain during World War II, the Banks for Cooperatives lay plans to finance the production and marketing of war-critical foods, fibers and oils.
- **December 4, 1953:** Farm Credit restructures to gain new independence, supervised by members of the Federal Farm Credit Board, the members of which are themselves farmers and ranchers.
- **December 31, 1968:** Farm Credit repays the last of the federal capital contributed during the Great Depression, becoming a fully borrower-owned cooperative.
- **December 2, 1971:** Farm Credit continues to expand credit availability in rural communities by offering loans to fisheries and rural homebuyers.
- **December 24, 1980:** Farm Credit begins supporting rural infrastructure development through loans to companies providing electric, telephone and water services to rural communities; formalizes its commitment to helping young, beginning and small farmers; and begins helping U.S. farmers compete in global markets by financing the export of U.S. agricultural products.
- **July 1, 1983:** The Federal Farm Credit Banks Funding Corporation is created to efficiently channel funds from the global capital markets to support Farm Credit lending to rural communities and agriculture.
- **January 6, 1988:** Farm Credit begins its long recovery from the 1980s agricultural crisis, consolidating operations to improve efficiency and rebuilding financial strength to fulfill its mission in good times and bad.
- **July 17, 2016:** Farm Credit marks its 100th year of supporting agriculture and rural communities and renews its commitment to fulfilling its mission and supporting these essential customers.

agriculture and rural communities.

100-year evolution

Over the past century, much has changed for agriculture and for Farm Credit. From helping producers who farmed with ox-drawn plows, Farm Credit now finances GPS-guided auto-steer tractors, robotic milking facilities and, even more recently, drones for surveying fields and herds.

Farm Credit has evolved alongside its customers, and for decades it has supported rural agricultural cooperatives, agribusinesses and rural infrastructure suppliers, including rural electric distribution cooperatives, water systems and telecommunications providers.

Unveiling a 50-year time capsule

In recognition of its first 50 years, in 1967, Farm Credit buried a time capsule in Larned, Kan., the location of the farm of its first loan recipient. Included in the time capsule were the original 1917 loan documents for that loan, along with predictions from FC System leaders about the future of agriculture and agricultural financing. Farm Credit revealed the contents of the 50-year time capsule at an event in February, attended by former Kansas Senator Bob Dole along with current Kansas Senators Pat Roberts and Jerry Moran.

Senator Dole was present when the time capsule was buried and spoke passionately at that time about the importance of agriculture, saying “There is no better time than the present to join in tribute to all who are engaged in the agricultural enterprises of our country and to wish them success ... in the momentous years to come.”

Dole echoed those sentiments at the anniversary event in February, saying “All of you do wonderful work that makes it possible for more farmers to succeed, to help feed America and the world, and for that, I’m thankful.”

The predictions revealed in February ranged from the still far-fetched orbiting space farms to accurate assessments of agriculture’s future, including increased sophistication of farm management, expanded reliance on technology, growth in farm size and the need for modern, market-based risk management practices.

“It’s remarkable to consider the amazing success story of U.S. agriculture in the 50 years since these Farm Credit leaders made their predictions,” said Todd Van Hoose, Farm Credit Council president and chief executive officer.

Later this year, Farm Credit will assemble and bury a new time capsule in Wichita, Kan., to be opened on its 150th anniversary.

Fresh Perspectives for the future

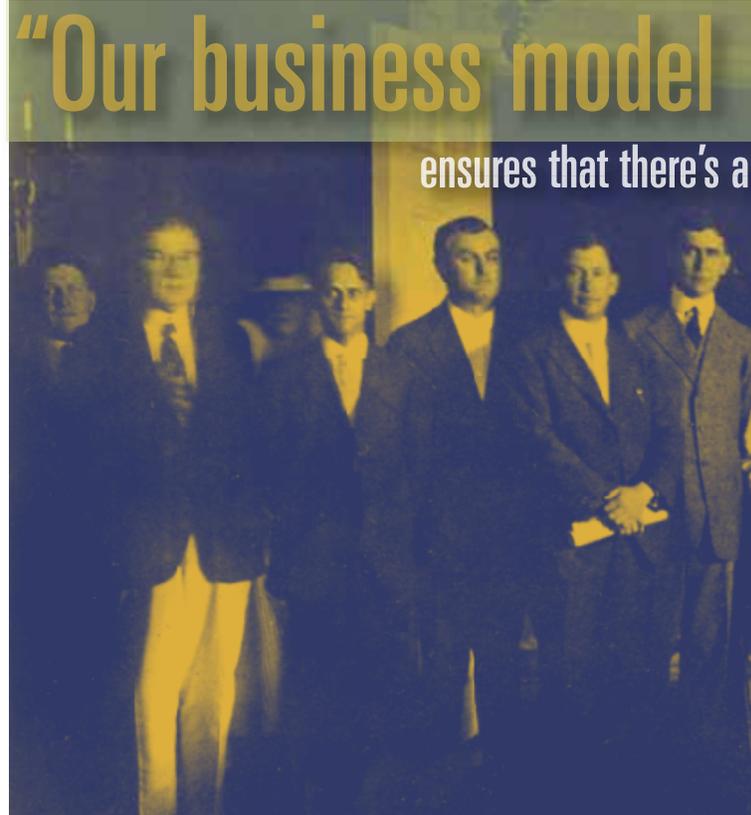
While history such as that contained in the time capsule is a natural focus for a 100-year milestone, Farm Credit is also

focused on the future, as highlighted by the Farm Credit 100 Fresh Perspectives search for 100 leaders and visionaries who are working to improve the future of agriculture and rural communities.

“For a century, Farm Credit has had the privilege of working hand in hand with the rural entrepreneurs and innovators who’ve helped shape the fabric of our nation,” Van Hoose said last July when the Fresh Perspectives search was launched. “As we mark the beginning of this milestone year, we can reflect on our history and heritage, while also asking: ‘what’s next’ for rural communities.”

The Fresh Perspectives program solicited nominations through mid-December, receiving nearly 1,200 entries representing all 50 states and all 10 of the program’s

Facing page: Former Senator Bob Dole (center), of Kansas, was the guest of honor at Farm Credit Council’s annual meeting and time capsule luncheon, held in Washington, D.C., on Feb. 2 as part of Farm Credit’s 100th anniversary celebration. Dole also spoke 50 years ago when Farm Credit buried a time capsule in Larned, Kan., where Farm Credit made its first loan (the contents of which were revealed at the event). He was joined on the stage by current Kansas Senators Pat Roberts (at the podium) and Jerry Moran (left). Photos courtesy of Farm Credit



categories. A selection panel of industry and Farm Credit experts then identified the Top 100 honorees, whose initiative and drive are shaping the future of agriculture and supporting both rural and urban communities through agricultural enterprises.

Announced on AgDay, March 15, these 100 leaders are addressing a broad range of industry and societal challenges. They include: Addy Battel, an energetic 13-year-old entrepreneur and food security proponent; food hub creator Jim Hyland; CHS Inc. (the nation's largest farmer cooperative) and the philanthropic NRECA International Foundation. (*Editor's note: see page eight for seven profiles of others who were selected for the Fresh Perspectives honor.*)

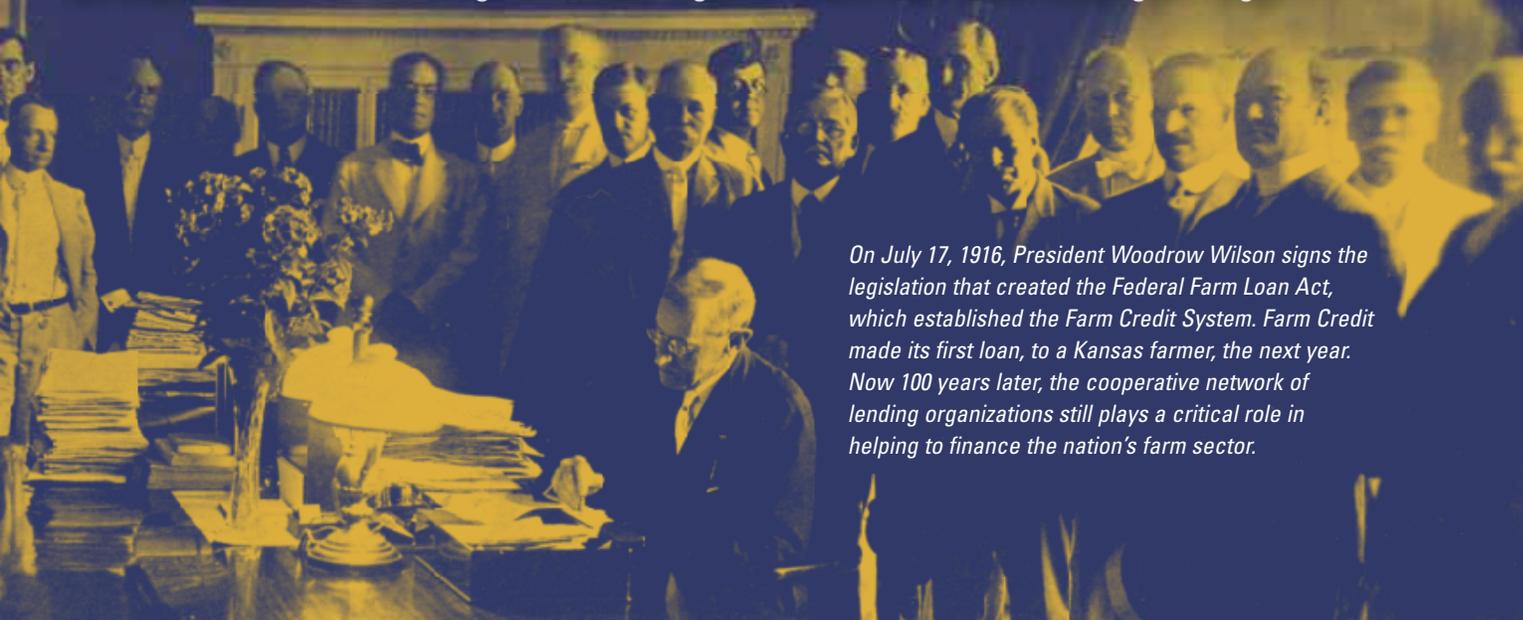
"Farm Credit has supported rural communities and

agriculture for 100 years, and we understand the vision and commitment it takes to remain successful as rural America evolves and changes," says Van Hoose. "The Farm Credit 100 Fresh Perspectives honorees are inspiring examples of leaders who are creating a brighter, more vibrant future for rural America."

The Top 10 Fresh Perspectives honorees, representing the 10 program categories, each qualify for a \$10,000 award to continue and support their work. The awards will be presented at a June event in Washington, D.C., where Farm Credit will also host a reception and two blue-ribbon panels addressing important industry issues: the critical need for rural infrastructure and support for young and beginning farmers. ■



continual source of financing available in good times and when times get rough..."



On July 17, 1916, President Woodrow Wilson signs the legislation that created the Federal Farm Loan Act, which established the Farm Credit System. Farm Credit made its first loan, to a Kansas farmer, the next year. Now 100 years later, the cooperative network of lending organizations still plays a critical role in helping to finance the nation's farm sector.

Fresh Perspectives

A salute to rural leaders who are making a difference for ag and communities

Farm Credit is observing its 100th anniversary not just by looking back, but also looking forward to the next 100 years by honoring 100 individuals (and some institutions) selected for its “Fresh Perspectives 100” honor.

The honorees were selected because they are “leaders who are creating a brighter, more vibrant future for rural America.” The following seven profiles present clear evidence that leadership, innovation and commitment to the future of agriculture are “alive and well” in rural America. To see all 100 profiles, visit: www.farmcredit100.com.



Justin Zahradka



■ *Farmer and Student,
North Dakota State University*

Category: Beginning Farmer or Rancher Achievement

Location: Lawton, N.D.

Farm Credit Affiliation: AgCountry Farm Credit Services

Due to its northern latitude, North Dakota faces a shorter growing season than most U.S. states, and its farmers typically produce only one crop per season. That is, until Justin Zahradka started working with the Northeast North Dakota Cover Crops Project, through which he has helped demonstrate that, with the right processes, North Dakota land can sustain more crops than previously expected.

Running his own crop and livestock operation for the past four years, Zahradka, a college senior, was

the first in his local area to use cover crops behind a cash crop. He's also proven the efficacy of raising a cash crop and then livestock on the same land planted with cover crops, and of raising two crops in a single year.

"Knowing that we must produce more food with less arable land is a challenge that I've embraced through leadership and production," Zahradka says. "Growers have doubled the amount of cover crops planted each year due in part to my demonstration and education."

Zahradka's success has encouraged many other producers to use cover crops in their operations and he has earned a national FFA award for this work. Zahradka also collected data on the rate of gain for beef cows and calves on cover crops in Northeastern North Dakota that is used to this day.

"My vision is to better agriculture by refining a farming system that has plants growing in the soil all year and adds diversity with livestock — a system that builds up our soil, environment, and well-being that will produce food with less water and inputs, and with resilience to climate change," he says.

Zahradka's efforts have proven that sustainable practices can be profitable for producers of all sizes, and he's bolstered his sustainability efforts by converting Conservation Reserve Program land to crops in his county. Active in both FFA and 4-H, Zahradka's success has also made him a sought after speaker throughout North Dakota.

As a young farmer, it's natural for Zahradka to look forward. "I may have only 50 growing seasons in my lifetime to directly impact production agriculture. By sharing my talents and knowledge, my results will be carried on," he says. "I'm committed to do my part to exert a positive influence in my community, nation and the world."

■

Adam Montri



■ *Farmer and managing member of Ten Hens Farm; Outreach Specialist for Michigan State University*

Category: Rural and Urban Connection

Location: Bath, Mich.

Farm Credit Affiliation: GreenStone Farm Credit Services

Adam Montri has devoted himself to building his own farm near Bath, Mich., as well as to helping farmers across the state and country and advocating for programs that support agriculture and rural communities.

Montri and his wife purchased two acres and a fixer-upper farm house in 2007. After undertaking significant land renovation, they planted cover crops to supplement their soil and built seven hoophouses and a walk-in cooler. Ten Hens Farm now encompasses the original two acres as well as rented land. It produces vegetables year-round that are sold on-farm, as well as to local farms, at the farmers' market, to local grocers and area restaurants, and to a regional food distributor.

Montri has shared his knowledge and expertise about

Adam Montri and his family on their Ten Hens Farm, near Bath, Mich., where they grow vegetables year-round. They sell on the farm, at farmers markets and to local grocery stores and restaurants.

farming in a state with long, cold winters and actively helped many fellow farmers build their own hoophouses. He has helped build a hoophouse at the school and another in Lansing, Mich., in cooperation with GreenStone Farm Credit Services.

Montri has worked as a hoophouse outreach specialist in the Michigan State University Department of Horticulture, developed an online class, makes how-to videos and responds to text messages from other farmers at all hours. He's committed to helping farmers be innovative and to supporting them as they make changes to survive and be successful.

"I hope that as farmers we achieve strong, economically viable farming communities that support business development and job opportunities at local, regional, national and international levels," Montri says. "When we are successful in creating these communities, we also strengthen the social connections between our rural, suburban and urban areas. I believe that it is entirely possible that farming and agriculture can be a foundation and means to achieving overall healthy communities where all citizens are able to be contributing members of society."

Montri is actively involved in the community and works to develop food and ag programs that are changing Bath for the better. He works with teachers on Annie's Big Nature Lessons, and served on the visionary committee for the Bath Farmers Market.

"Our industry is tasked with feeding an ever-growing world population through increased yields while simultaneously producing safe products that are also environmentally responsible," Montri says. "Farmers, together with science from industry and universities, will create new production and distribution systems while strengthening and optimizing current ones. The opportunity to increase global food security while increasing financial viability for farmers ensures the future of agriculture is bright and promising." ■



M. James Faison

■ *Founder and President, Milton's Local*

Category: Rural and Urban Connection

Location: Hopewell, Virginia

Fourth-generation farmer M. James Faison is the founder and president of Milton's Local, an all-natural meat company that supports sustainable agriculture by creating wholesale channels for local farmers. Milton's Local works with family farmers who raise their animals without hormones, antibiotics or steroids. It then aggregates the meat and sells it to wholesale buyers such as restaurants, universities and grocery stores. The company also processes hog bellies to create all-natural bacon and bacon sausage, both cured without using artificial nitrites.

"I am inspired to create marketing opportunities for farmers so that they can continue to farm and remain pillars of rural communities," Faison says. "I hope to create a large enough marketplace where our producers who want to farm full-time will be able to support their family through their 'on-farm' income, and it is financially viable for potential young and beginning producers to start farming."

M. James Faison, seen here promoting Milton's Local handcrafted, artisan meats, received assistance growing his business with a Local Food Promotion Program grant from USDA.

Faison also serves on the board of Tricycle Gardens, a community nonprofit organization that is committed to promoting urban agriculture. Tricycle Gardens uses urban agriculture both as a way to beautify urban spaces in disadvantaged neighborhoods and to combat food deserts by providing fresh fruits and vegetables to corner stores. He also mentors agribusiness students at the College of Agriculture at Virginia State University, helping these young agribusiness entrepreneurs with their business

and marketing plans.

To continue developing his own leadership skills and agricultural knowledge, Faison is also a participant in the VALOR (Virginia Agriculture Leaders Obtaining Results) Program through Virginia Tech. VALOR is a two-year leadership program in which participants meet with agricultural industry leaders to become better advocates for the industry. They travel all over the world to learn about the issues affecting the global agriculture industry and discuss ways that the industry can continue to adapt to address concerns of the future.

"I think that we will see alternative forms of agriculture, such as organic, genetically modified organisms (GMO)-free and all-natural, become more popular in the future," says Faison. "As a result, producers who engage in those agricultural practices will start to get larger and achieve scale. With scale, the prices of alternative agricultural products will become more price competitive with conventionally grown agricultural products, and thereby become more mainstream." ■

Erin Brenneman



■ *Farmer and Farrowing Manager, Brenneman Pork*

Category: Agriculture Education and Community Impact

Location: Wellman, Iowa

Farm Credit Affiliation: AgStar Financial Services

Raised in the suburbs of Chicago, it was only after Erin Brenneman married and moved to her new family's hog operation that her eyes were opened to what she calls "the beautiful world of farming." She's since become a strong advocate for the industry and for her own family's products.

Brenneman and her husband, Tim, are part owners in

TJAC Pork, and both work at Brenneman Pork in Iowa. Their operation consists of a 24,000-sow, farrow-to-finish operation, and they market 650,000 pigs annually. They also have their own 715-acre corn and soybean farm.

Brenneman works full-time as the farrowing manager at the home-farm sow unit. While most of her time is spent caring for sows and new-born piglets, she also hosts groups visiting the farm. She takes the time to explain modern production practices to groups such as Florida FFA officers, retail food companies, students and a group of "mommy bloggers."

"I always hope to reach a non-agriculture-based audience to share the amazing story of modern farming," Brenneman says. "I am constantly seeking out new and effective ways to reach audiences with exciting stories about how food is raised."

Brenneman was recently selected as one of the Faces of Farming by the U.S. Farmers and Ranchers Alliance and has traveled extensively throughout the United States promoting the pork industry and talking to students with little or no knowledge about modern farm production methods and technology. As an active member in the social media community via Twitter, she strives to correct the vast amounts of misinformation about farming that she finds circulating.

"As more and more of the next generation return to the farm, I believe that the future of agriculture is incredibly bright and full of innovation," she says. "I have found that the farming community is extremely progressive and always looking for ways to improve. The future of agriculture will be filled with bright, motivated individuals who value a hard day's work and others' input to feed the world's ever-growing population." ■

G. Art Barnaby, Jr.

■ *Farmer and Professor, Kansas State University*

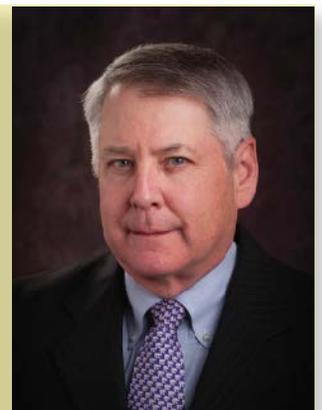
Category: Rural Policy Influence

Location: Manhattan, Kan.

Farm Credit Affiliation: Frontier Farm Credit

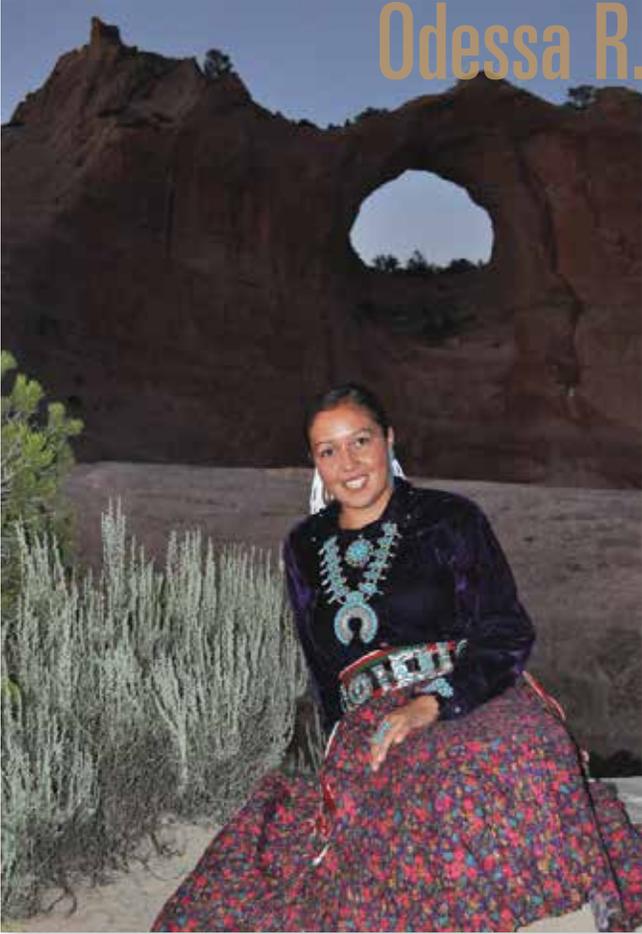
An agricultural economics professor at Kansas State University, Art Barnaby has had a distinguished career as an agricultural risk management researcher and educator. He is also a farmer who was reared on a diversified family farm in Kansas.

Barnaby's groundbreaking work in risk management has brought him international acclaim. He has authored several research projects on crop insurance issues and their impacts on farmers. His research work with the private sector was the basis for the first revenue insurance contract, considered by *Top*



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Odessa R. Oldham



■ Student, Ranch Partner/Manager and Native American Youth Agriculture Summit Camp Director

Category: Agriculture Education and Community Impact

Location: Lander, Wyoming

Farm Credit Affiliation: Farm Credit Services of America

A proud member of the Navajo Nation, Odessa Oldham started her own agriculture operation with a youth loan from USDA's Farm Service Agency, and, in partnership with her brother, has grown it into a 600-head sheep and cattle operation. Oldham was the first tribally recognized candidate for a national FFA office and has served as a champion for the organization, helping to establish several FFA chapters throughout "Indian Country."

"In my travels, I've seen a 'disconnect' that youth have from culture and agriculture. I will change that, like my family inspired me to embrace my heritage, education and agriculture," Oldham says. "Youth inspire me. They are the leaders of tomorrow and will [help us] learn and

move forward from what we leave behind."

Oldham witnessed firsthand the need for leadership training for Native American youth interested in agriculture and food production. This inspired her to attend the Native Youth in Food & Agriculture Leadership Summit, a nine-day event hosted at the University of Arkansas School of Law. This comprehensive educational experience incorporates classroom and experiential learning centered around food system sustainability while engaging intertribal youth

**"No matter what
the consumer has asked for,
agriculture has provided."**

representatives in culture-sharing activities and leadership development. Oldham has since served as a camp director for Native American Youth Agriculture Summit.

"I strongly believe in being an example, and with that I hope to have a successful cattle, sheep and horse operation in Wyoming. I want to be successful financially, but more so to offer educational insight," she says.

Oldham plans an operation that also offers internships for college students, learning experiences for 4-H and FFA members, and community experiences. "The operation will become a positive example of what agricultural producers offer. I want to show Native youth that it doesn't matter where they came from, they can achieve their goals," she says.

Of the future, Oldham envisions more recognition for the important role agriculture plays in society, saying, "No matter what the consumer has asked for, agriculture has provided. From vegetarians, to vegans, to meat eaters — it does not matter, agriculture provides. With social media and technology, agriculture is able to show how important this industry is." ■

Barnaby: continued from page 12

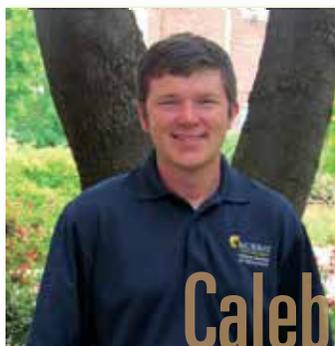
Producer magazine to be “the single most important change in the history of the program going back to the Dust Bowl.” He is a sought-after adviser to policy-makers and agricultural finance leaders alike, consistently considering how any proposed policy change would affect farmers.

“I’m inspired to help farmers manage risk in a world market with less support from USDA commodity programs,” Barnaby says. “I hope to educate policymakers that cuts in crop insurance coverage will impact farmers’ marketing plans.”

Barnaby also conducts national extension education programs on market risk, government commodity programs, crop insurance and public policy. He is a

frequent speaker at professional, farmer-producer, ag lender and insurance industry meetings.

Barnaby was named to the Top Producer Editors’ list of “Brave Thinkers: 30 Leaders Who Made a Difference” and its list of “7 Economists, Bankers Who Challenged the Status Quo.” He is a past winner of the Excellence in Extension Award presented by the National Association of Public and Land Grant Universities, and a three-time winner of the American Agricultural Economics Association Distinguished Extension Program Award. He earned a bachelor’s degree from Fort Hays State University, a master’s degree from New Mexico State University and a doctorate in Agricultural Economics from Texas A&M University. ■



Caleb Brannon

■ *Student, Researcher, Farmer and Entrepreneur*

Category: Entrepreneurship and Innovation

Location: Puryear, Tenn.

Caleb Brannon is a successful young entrepreneur and dedicated researcher, a leader in FFA — having won 19 regional and 10 FFA state championships — and is an innovator of note in his own agricultural pursuits. With his brother, Brannon owns a 42-acre row crop farm on land previously owned by their great-grandmother. At 15, he founded Brannon AgriEnergy, an agribusiness producing and marketing switchgrass and other bio-energy crops for biomass energy and future cellulosic ethanol research.

His vision for stewardship and energy development inspired him at age 18 to secure funding from River Valley Ag Credit for a 10-kilowatt solar system. Referencing the FFA Creed, he says, “My passion regarding shaping the future of agriculture has inspired and motivated me daily to not only set my goals high through ‘words’ but also to work diligently through ‘deeds’ to obtain them.”

Since enrolling at Murray State University (MSU), Brannon has expanded his leadership roles, serving in many clubs and as an ambassador for the university and the MSU School of Agriculture. He works with MSU farm operations, including research on crops and testing and burning several bio-energy crops for the Equine Center biomass heating unit.

He has worked with professors, the farm manager and other students in planting and researching the first crops of hemp planted in Kentucky in recent years (after it was legalized).

Brannon’s involvement in crop research on the family farm involves working with the Extension Service, Monsanto and Helena Chemical Co. on farm variety trials, some of which involve testing new corn hybrids to help identify varieties that increase production using less water resources. He was invited to present a poster at the U.S. Department of Energy’s Biomass 2014 conference in Washington, D.C.

Brannon completed the “triple crown,” earning college scholarships sponsored by BASF in successive years through the National Corn Growers Association, the American Soybean Association and the National Wheat Growers Foundation.

“Hunger never sleeps, and to feed a growing world that is expected to reach 9 billion people by 2050, farmers will need new tools, including advancements in biotechnology and information technology,” says Brannon. “Most of all, the future will require us to tell our story. This is why I want to be a part of the next generation of agriculture.” ■

Legal Corner

Understanding preferred stock

By Margaret Bau, Noémi Giszpenc and Andrew Danforth

Editor's note: Bau is a cooperative development specialist with USDA Rural Development, based in Wisconsin. Giszpenc is the executive director of the Cooperative Development Institute (CDI). Danforth is the director of CDI's New England Resident-Owned Communities program and a certified public accountant. Portions of this article were originally written by Bau in response to a question following a May 2015 webinar CDI presented, titled: "Converting Businesses to Worker Cooperatives — Real World Lessons Learned."



There is a common misperception among many co-op development practitioners that the U.S. Internal Revenue Service (IRS) sets the maximum return rate on stock offered by cooperatives at 8 percent (under Subchapter T, the section of the IRS code that governs businesses that operate on a cooperative basis). While this a good “rule of thumb,” it is not always the case.

State law (rather than the IRS code) actually dictates the maximum legal rate for stock dividends. While most states cap interest rates at 8 percent, some states may allow for higher rates. Subchapter T says that the maximum rate is 8 percent, or the state's maximum, whichever is higher.

When the board decides upon the parameters for the preferred stock

offering, it is important to examine what the local market will bear. To the community investor or co-op member, preferred stock has terms and restrictions that are similar to a certificate of deposit (CD) or money market offered through a local bank.

Generally, preferred stock rates of return are higher than a bank CD but are lower than what is available in the stock market. For a co-op, preferred stock interest rates are substantially lower than a commercial loan or a line of credit. At present, interest rates of 4-5 percent are probably a fair rate of return to both the community investor and the co-op.

Occasionally, for some startups with substantial community support, rates may range from 0 percent (basically a refundable grant from co-op supporters and members) to the 1-2 percent range (to cover the cost of inflation).

Around 2006-2007, an 8-percent rate of return would have seemed relatively low. Today, 8-percent interest would be an extremely high dividend rate.

A co-op board gets to decide the rate for a particular preferred stock series; the co-op needs to stick with the agreed rate for the duration of that series. Co-ops can offer several preferred stock series over time. For example, a new co-op may offer series A stock at 5 percent to fund startup expenses. After that is paid off, the same co-op may wish to purchase a building, so it could offer a preferred stock series B at 4 percent. Ten years later, the co-op may wish to update equipment, so it could offer preferred stock series C at 4.5

percent.

By Jan. 31 of each year, a co-op must send all preferred stockholders an Internal Revenue Service (IRS) statement — called a 1099 DIV — that details investment activity. Investors should be counseled not to file their taxes until after receiving the 1099 DIV document.

Why some co-ops issue preferred stock

Preferred stock is a form of additional equity for cooperatives. The equity counts as an asset on the co-op's balance sheet. If the co-op needs additional financing, the co-op can approach a lender with this equity on hand (which generally increases the willingness of a lender to make a loan).

When dealing with a lender, preferred shares can be used to increase the capital available that can be leveraged by a lender. A sophisticated lender will see it as a “mezzanine” (in-between) level of capital that frees up hard assets and cash flow as collateral. Preferred stock is non-voting stock. So what makes it “preferred?”

The name refers to the order in which investors are paid out of the co-op's earnings. Generally, commercial bank loans are paid first, then loans made to the co-op by individual members or community supporters, then preferred stock holders; last comes “common stock” or “class A” or voting shares — i.e., co-op members.

Members are paid last to ensure that, as the only ones voting and controlling the co-op, they put the financial interest

of their other creditors before their own. Preferred shareholders are next to last. This means that in a bad year, if a co-op cannot make dividend payments, it is not obligated to do so that year.

Most people who purchase co-op preferred stock are amateur investors — they usually believe in the mission of the co-op and want to invest in their local community. It is important for the co-op board to be extremely clear to community investors and co-op members about the risk associated with preferred stock.

The key phrase to remember is that *“redemption of preferred stock is at the discretion of the board of directors.”* The co-op board has a fiduciary responsibility to annually assess the co-op’s financial health, and then — based on that information — it decides how preferred stockholders will be paid that year.

For example, in good years, the co-

op is looking for a five-year investment. This helps to minimize the temptation for early redemption. A co-op board should develop a policy on emergency redemption.

To deter investment purely for speculation (and to ensure that the cooperative exists for the benefit of the members), the interest rate on co-op preferred stock is capped (by state law) and all members are allowed one vote in co-op decision-making (regardless of the investment amount). Co-op preferred stock may be exempt from being regulated as a security under federal law if the co-op follows special rules. This sometimes involves ensuring that stock is only offered within the state. Co-ops must also follow state securities laws; in co-op-friendly states (like Wisconsin and Minnesota), state law securities requirements are not onerous.

Co-op-friendly states have tried to

loan agreement through legal construction.

Such “royalty loans” are a way for the lender to share the risk of the investment more equitably with the borrower. It may be necessary to properly educate lenders on how to view “debt” as closer to “equity;” however, great care must be taken to ensure that the loan has all the earmarks of a loan, since the Internal Revenue Service is very concerned that taxpayers are not recharacterizing equity as debt in order to avoid tax.

While many cooperatives have used preferred stock, they could also have constructed member loans with similar terms of subordination to other indebtedness, with the ability to defer interest and change maturities depending upon the conditions. The *significant difference is that dividends co-ops pay on preferred shares are not tax deductible*, while interest (including

The co-op board has a fiduciary responsibility to annually assess the co-op’s financial health; then it decides how preferred stock holders will be paid that year.

op may pay preferred stockholders in cash. In lean years, the co-op may pay preferred stockholders in additional stock (with compound interest). If the co-op has years of solid financial stability, the co-op may buy back preferred stock from the investors (essentially “paying off the community loan”). As for early redemption on the part of a preferred stockholder, this is a delicate balance.

Redemption decisions must place co-op first

A board needs to make sure the redemption won’t harm the co-op. This can be an especially difficult decision when investors are also friends and neighbors of the co-op.

When meeting with a potential investor, it should be stressed that the

simplify compliance with state securities laws, since it is assumed that co-ops maintain a good level of transparency and communication with their members and that holders of preferred stock are closely associated with the co-op.

How to have your mezzanine capital “and eat it, too”

Preferred stock is not the only way to add to a cooperative’s balance sheet. Loans from members or community supporters that are appropriately constructed as to the term, payment of interest and subordination to senior lenders, can also act like equity. Another difference that might make preferred stock attractive is the ability to suspend payment (i.e., to pay only if, and when, the co-op is actually profitable.) This can be built in to the

interest that is accrued and unpaid) is tax deductible.

When a co-op issues preferred shares, it is essentially taking a large part of the tax burden of those dividends and placing it on the cooperative, and, by extension, on its member-owners. Given that corporate tax rates increase quickly, a preferred stock paying 6 percent dividends may have the same costs as a member/supporter loan or note at 8 or 9 percent.

Because of the substantial tax consequences to the cooperative of issuing preferred stock, the co-op may wish to consider how to achieve similar benefits from properly constructed loans. The pool of investors, and their motivations, would likely be largely the same, but the financial benefits to the co-op could be greater. ■



Study shows major impact of ag co-ops on Nebraska economy

Soybean photo courtesy Ag Processing Inc.

Editor's note: following is an excerpt, slightly adapted, from the executive summary of a new study by the University of Nebraska on the economic impact of ag co-ops in the state. To read the full report, visit: www.nebr.coop.



Agricultural cooperatives serve an important economic function in Nebraska and throughout the nation. Cooperatives provide significant cost savings and efficiency for agricultural producers through access to goods and services. Cooperatives also generate an economic impact on states and communities.

Eric Thompson and Mitchel Herian of the Bureau of Business Research at the University of Nebraska-Lincoln conducted the study and authored the final report.

To estimate the overall impact that Nebraska ag cooperatives have on the state economy, the Nebraska Cooperative Council (NCC) asked the University of Nebraska-Lincoln Bureau of Business Research (BBR) to conduct an economic impact study of Nebraska cooperatives over a three-year period, from 2012-13 through 2014-15.

The results of the analysis show that Nebraska cooperatives:

- Have a \$2.2 billion annual impact on the Nebraska economy through sales and investment;
- Create 13,944 jobs annually via cooperative operations, member payments and investments;
- Through labor income and member payments, Nebraska cooperatives have an average \$752.5 million annual impact on income in the Nebraska economy;

- Have a tax revenue impact of \$117.9 million annually;
- Benefit the Lincoln and Omaha metropolitan areas in a number of ways, including:
 - An indirect impact of \$127.2 million on the two metropolitan area economies;
 - An additional 740 jobs and \$47.6 million in indirect labor income;
 - \$6.7 million of state and local taxes paid in the Omaha and Lincoln Metropolitan Areas.

Other findings

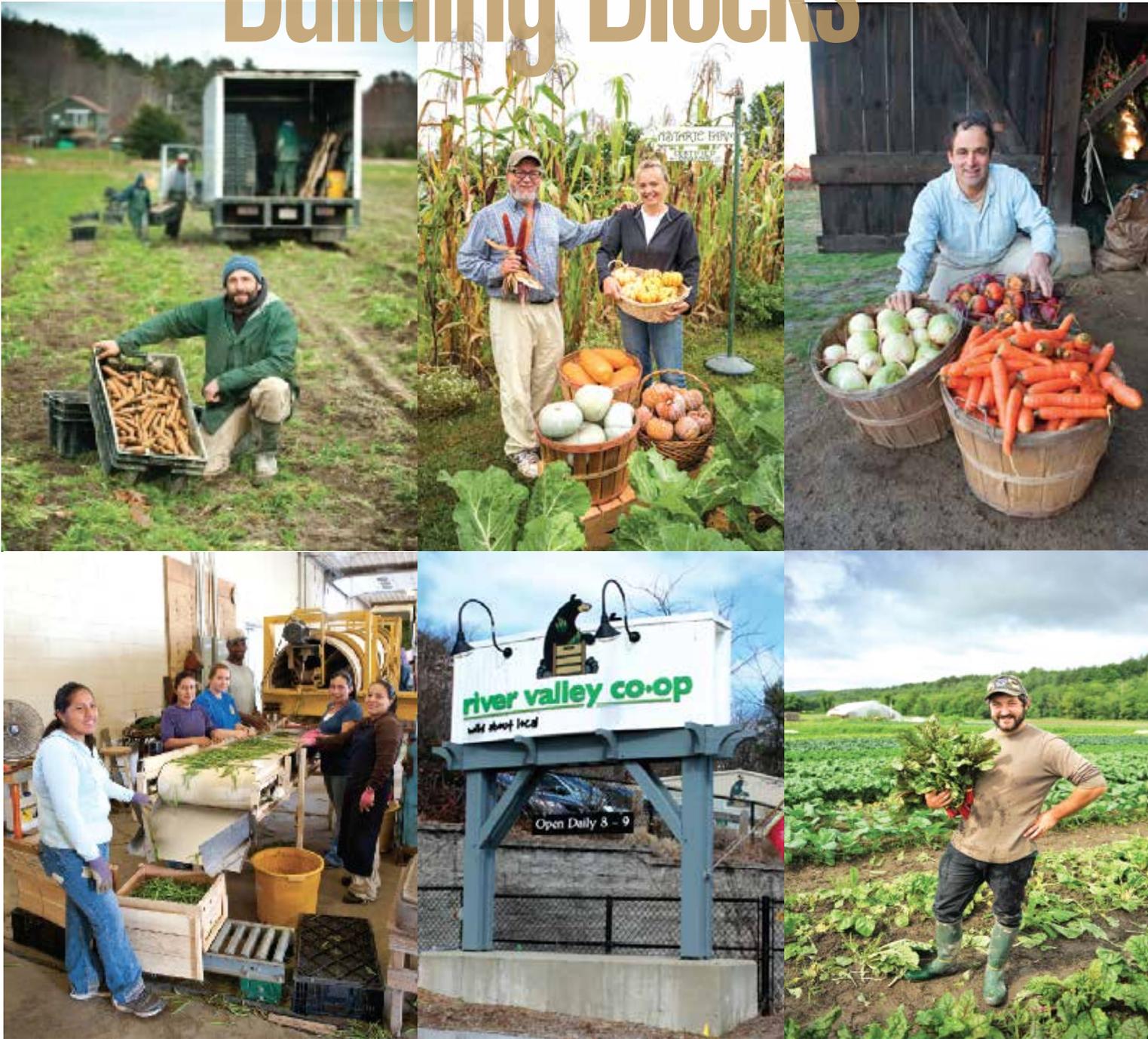
The study also shows that Nebraska cooperatives:

- Average about \$8.8 billion in sales annually;
- Directly employ an average of 6,410 workers annually, with total average wages and benefits of \$308.7 million annually;
- Make about \$200 million in investments in new facilities and equipment annually;
- Return about \$97 million annually to cooperative members in the form of patronage allocations, equity redemptions and equity redemptions to estates;

“This study reinforces the importance of farmer-owned cooperatives not only in rural areas of Nebraska, but also shows that co-ops provide a significant impact in the large cities of the state,” says David Briggs, board chairman of the Nebraska Cooperative Council. He is also president of Western Cooperative Co. in Alliance, Neb. “The cooperative business model is a necessary component of a successful Nebraska economy.” ■

Co-ops can be cornerstones for rural community development

Building Blocks



These Western Massachusetts producers are among those who keep River Valley Cooperative supplied with a wide variety of local, organic food. The market in Northampton, Mass., which opened in 2008, buys nearly \$4 million of local produce annually.

Producer photos by Jim Gipe/Pivot Media, courtesy River Valley Cooperative



By Leah B. Thibault

Editor's note: Thibault is director of executive administration and special projects for CEI Capital Management LLC. This article originally appeared on TriplePundit.com.



There is a trickle-down theory inherent in many economic development activities, according to which programs are primarily designed to help communities, particularly low-income ones, attract and grow businesses. The thinking is that those new or expanded businesses will, in turn, improve the lives of community members by giving them employment or by providing additional goods and services. This activity should then further spur other business needs that can be answered locally.

But what if you could directly help a businesses and community members at the same time? You can, if that business is a cooperative.

A cooperative (or co-op) is an entity owned and democratically controlled by its members, who often have a close association with the business, either as producers or consumers of its products (such as farmers or shoppers for a grocery store), or as its employees.

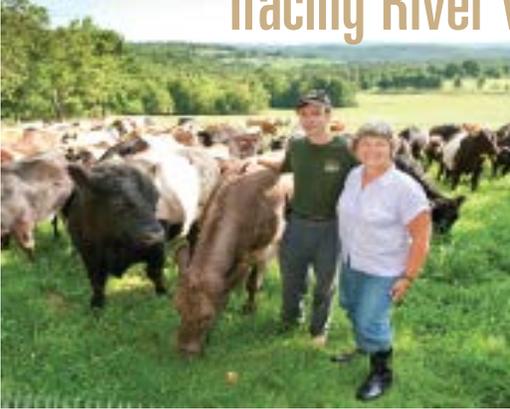
Co-ops have been around as long as people have found benefit in working together, but today's modern co-ops generally work on the seven cooperative principles as outlined by The International Co-operative Alliance: voluntary and open membership; democratic member control; economic participation by members; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community.

While co-ops have a greater chance of surviving their first five years of business (80 percent for co-

Rob Lynch and his wife, Meghan Arquin, along with their sons, Cayden and Charlie, on their Riverland Farm in Sunderland, Mass. In addition to supplying the River Valley Co-op, they also market their produce through a successful community supported agriculture (CSA) program.

Photo by Jim Gipe/Pivot Media, courtesy River Valley Cooperative

Tracing River Valley Co-op's Growth



In addition to fresh produce, local producers also provide the co-op with dairy and meats.

ops vs. 41 percent for other businesses, according to 2015 report by Co-operatives UK), getting one off the ground requires a tremendous effort of coordination. Further, finding financing for infrastructure and capital projects can be difficult.

Back in 1997, some community members in the western Massachusetts town of Northampton met at the local library and decided the area would benefit from a consumer-owned store. As the effort to acquire membership moved forward, the question of where to locate the store persisted for years, until a site was selected in 2004. That ushered in the next challenge: how to pay for the real estate and construction of the store, at a time when membership was about 1,500.

In a way, the financing used was a model of the cooperative ideal. Multiple funding sources were used, including member fundraising efforts, three different bank loans, several economic development grants and even federal New Markets Tax Credits, because the co-op was located in a low-income census track.

In 2008, the River Valley Co-op opened its new LEED (Leadership in Energy and Environmental Design)-certified facility. Its mission is to provide fresh, local and organically grown groceries to this western Massachusetts community. Today, nearly 20 years since that first meeting in the library, the vision

- 1999** — Co-op incorporates as Northampton Community Cooperative Market Inc. Board established. Planning grants received from Massachusetts Dept. of Food and Ag and Community Involved in Sustaining Agriculture (CISA). Feasibility study conducted.
- 2000** — More grants received, including a Rural Business Enterprise Grant from USDA Rural Development. Cooperative Development Institute develops business plan. At first annual meeting, member-owners choose “River Valley Market” as store name.
- 2001** — First market study completed by CDS Consulting. Board policies for governance adopted. Rochelle Prunty hired as general manager. Membership reaches 1,000.
- 2003** — Massachusetts Technology Collaborative provides \$400,000 Green Building Grant. Deed restrictions on initial building site force co-op to look for new location. Membership reaches 1,500.
- 2004** — Cooperative Grocers’ Association Northeast (CGANE) provides \$100,000, which leverages National Cooperative Bank Development Corporation (NCBDC) \$50,000 Business Planning Advance. Bank extends \$100,000 line of credit.
- 2005** — City of Northampton approves site rezoning site plan and special permit. Co-op awarded Community Development Block Grant. Business plan finalized and preliminary construction budgets developed. Member loan campaign raises \$1 million. Membership reaches 1,600.
- 2006** — Co-op signs lease and takes possession of Old Quarry site. General contractor selected.
 - Membership exceeds 1,800 and meets equity goals for financing requirements. Financing plan finalized using a number of financial institutions.
- 2007** — Co-op closes on all financing. Construction begins. Community celebrates groundbreaking. Membership exceeds 2,000.
- 2008** — Construction of green building completed. Five job fairs held, during which hundreds of interviews are conducted and 70 staff hired. Membership exceeds 2,500. Co-op opens for business!
- 2014** — Co-op celebrates sixth year of operation, serving more than 10,000 customers weekly. Co-op purchases more than \$3.7 million in local foods; annual sales top \$20 million. Over 130 employees on staff and membership exceeds 6,700. Members support refinancing with \$2.4 million in member loans to co-op.
 - **June:** Co-op awarded Howard K. Bowers Fund Cooperative Excellence Award at the National Consumer Co-op Management Association Conference.
 - **October:** Remodel phase 1 begins; deli and front end updated.
- 2015** — Remodel phase 2 begins, creating higher capacity grocery shelving, new bulk bins, wine & cheese area, improved wellness department, heating and cooling systems update, etc.

Information courtesy River Valley Co-op. For the full chronology of key dates in the co-op's history and other information about the co-op, visit: <http://rivervalleymarket.coop/>.



A true cornerstone of community development, River Valley Co-op's store in Northampton, Mass., employs about 150 people, nearly 90 percent of whom work full-time and receive benefits. Average hourly wage for a non-supervisory position is \$13.68. Photo courtesy River Valley Co-op

is even greater than the founders imagined. The business is thriving, with nearly 1,500 daily customers, \$23 million in annual sales and plans for a second store underway.

A true cornerstone of community development, the store employs almost 150 people (over 89 percent of whom work fulltime and receive benefits). Average hourly wage for a non-supervisory position is \$13.68, exceeding the local living wage of \$13.18. River Valley Co-op is also a significant buyer of local produce and goods, with \$4.2 million going to local vendors, or 30 percent of the store's total purchases.

This kind of robust employment and economic activity is admirable, but the success and profits of River Valley Co-op don't just go to anonymous stockholders or a few select owners. Rather, benefits flow directly to the 7,480 member-owners who shop at, work for and supply the store.

In 2015, River Valley distributed its third annual patronage dividend rebate, worth more than \$100,000. Of that

amount, the owners donated \$30,000 to the River Valley Co-op Community Fund and The Food Co-op Initiative — two nonprofits River Valley's board selected to support, helping to fund other new food co-op startups and cooperative development.

Though not a formal co-op, Premium Peanut, a shelling and distribution facility being constructed in Douglas, Ga., uses a cooperative-like arrangement that exchanges investment in Premium Peanut by local peanut growers with guaranteed multi-year contracts. These contracts include a price premium over the government standard, as well as proportional distributions of Premium Peanut profits.

This structure helps the company achieve its goal of bringing greater stability to its 225 member-farmers by helping them gain better access to the market, improve their profitability and help smooth out the common boom-or-bust cycles through vertical integration.

Shelling at the \$50-million, state-of-the-art facility began with 110,000 tons for the 2015 peanut crop and is

expected to grow to 140,000 tons within the first three years. Financing the effort was not simple for the startup. Because it preserves jobs in a region of Georgia that suffers from high unemployment and poverty rates, the construction qualified for federal New Markets Tax Credits, along with loans and grants.

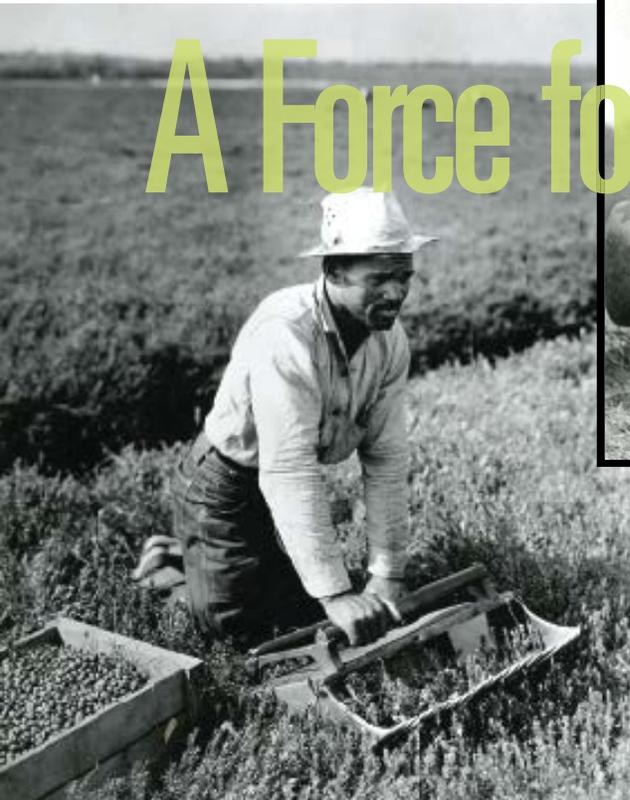
In addition to supporting 225 small-to medium-sized farms, the shelling facility will create about 100 direct jobs, the majority of which will be unskilled positions available to low-income individuals. Workers will all be paid a living wage for a single adult in the county and will receive benefits, including paid time off, a 401(k) retirement plan, and subsidized health insurance.

River Valley Co-op and Premium Peanut both show how the cooperative model can directly benefit its members and the rural communities that surround them, making investment in local farming and grocery co-ops a win-win for economic and community development. ■

For 90 years, the Co-op Marketing Act has been a blueprint for partnership between USDA and the nation's co-ops



A Force for Stronger Co-ops



Clockwise from upper left: Loading grain onto a barge at the St. Paul "M House" elevator, circa 1964, then part of Farmers Union Grain Terminal Association, which later became Harvest States and then merged into CHS Inc. Farmers have long relied on co-ops for their supplies and agronomy services. Packing citrus at a Sunkist co-op plant in California. Harvesting cranberries, near Plymouth, Mass., late 1940s.



Horsepower was still very much in use in the 1940s, as seen by this farmer picking up supplies at a Southern States store; Below: Loading boxes of Tillamook cheese onto boxcars in Oregon, circa 1950.

Editor's note: This year marks the 90th anniversary of the Cooperative Marketing Act. This article looks back at why the legislation was drafted and the role it has played in strengthening the U.S. cooperative sector. Much of this article has been excerpted and adapted from "Farmers, Cooperatives and USDA," by Wayne Rasmussen.



In the mid-1920s, a force that was to forever change the face of American agriculture, and indeed all of rural America, was rapidly building steam across the nation. It was the force derived from a rapidly developing network of farmer-owned cooperatives.

Until then, farmers and ranchers were all too often at the mercy of

middlemen and buyers who would play off one farmer against another in what would become a "race to the bottom" for crop and livestock prices. By organizing in co-ops, producers could refuse to play the "buyers' game" and create a more level playing field. Co-ops helped producers to attain fair prices for their crops and livestock — prices that would support a decent standard of living for farm families.

Co-ops also helped members gain a reliable source for good-quality farm supplies and services at fair prices. Many co-ops also performed value-added processing and created branded consumer products that helped to greatly increase returns to members.

In his annual report of 1925, Secretary of Agriculture William Jardine wrote: "The most distinct and significant movement in American agriculture in this decade is the almost universal trend toward cooperation in the marketing and distribution of farm products."

But what, if any, role should USDA play in the developing "cooperative economy?" Secretary Jardine felt USDA should help to assist and guide these new cooperatives. "A movement of this magnitude, with its tremendous economic and social significance, must be analyzed and guided so that its highest possibilities may be realized," he wrote in USDA's annual report to Congress.

Secretary Jardine's staff, working with leaders of 33 cooperative associations, drafted the Cooperative Marketing Act, which would lay the foundation for a type of public-private partnership (as such arrangements would come to be known many years later) in which USDA would undertake the education, research and technical assistance that could support the co-op movement. The Act was sent to Congress in 1926 to define USDA's role in supporting the cooperative movement.

USDA's role

When the bill was introduced, its purpose was "to create a division of cooperative marketing in the U.S. Department of Agriculture to: provide for the acquisition and dissemination of information pertaining to cooperation; to promote the knowledge of cooperative principles and practices; to provide for advisers to counsel with the secretary of agriculture on cooperative activities; to authorize cooperative

From left: Former USDA co-op development specialist Wade Binion provides technical assistance to a women's softshell crab-packing co-op on Smith Island, Md.; Corn flows in while ethanol flows out of a Missouri biofuel plant.



associations to acquire, interpret and disseminate crop and market information, and for other purposes.”

The bill would authorize the secretary of agriculture to conduct research and give assistance to marketing cooperatives in the same manner it had conducted research and given assistance to agricultural producers. Representatives of the American Cranberry Growers Exchange, the National Grange, the National Council of Farmers' Cooperative Marketing Associations, Aaron Sapiro (a leader of the co-op movement in California) and Charles W. Holman of the National Milk Producers Federation all testified in support of the bill.

The bill was debated in the House on Jan. 25-26, 1926. The vote, on Jan. 26, was 361 in favor vs. only 3 against. One Congressman voted “present” while 65 did not vote. No witnesses appeared in opposition to it, nor were any statements opposing it filed with the committee.

A similar bill was introduced in the Senate by Charles McNary of Oregon, which was endorsed by Secretary Jardine, with committee hearings held in March. The bill was needed to ensure continuity of work with cooperatives, Holman, who also served as secretary of the National Board of Farm Organizations, testified. The most important provision of the law, according to Holman, was the section

authorizing cooperatives to exchange crop and market information.

Lloyd S. Tenny, assistant chief of the Bureau of Agricultural Economics, who had been active in the Department's work with cooperatives, emphasized that the bill was a cooperative marketing bill. The Department did not want anything in the bill “except work that pertains very directly and specifically to cooperative marketing work.” General marketing research was already authorized in the appropriation act establishing the Bureau of Agricultural Economics. All of the actions authorized under the present bill were for the purpose of rendering service to cooperative associations of producers.

The American Farm Bureau, represented by Chester H. Gray, supported the proposed law. At its annual meeting in December 1925, the Farm Bureau adopted a resolution supporting the cooperative marketing of farm products and petitioned the Department of Agriculture to instruct employees to teach the principles of cooperative marketing and to assist cooperatives in their operating policies and membership relations. On Feb. 11, 1926, the board of directors voted to support the cooperative marketing bill.

Gray testified that the Farm Bureau regarded the bill not as emergency farm relief, but rather as a long-term operation. Over a period of years, the division could standardize cooperative

marketing to make it permanent and successful without making the cooperatives of the same uniform type.

The basic bill, as passed by the House, was passed by the Senate on June 29, 1926, with two amendments. One amendment deleted naval stores from the list of agricultural products. The second added “and others” as eligible to receive information developed for cooperatives. The bill was then returned to the House. On June 30, the House concurred in the Senate amendments.

Coolidge signs co-op law

The bill was presented to President Calvin Coolidge, who signed it into law on July 2, 1926. The lack of major controversy over the bill is indicated by the fact that the purpose, as stated when it became law, was exactly the same as when the bill was first introduced.

At the same time, though, many people in Congress and the Administration saw the bill as an action to help farmers help themselves financially, either as a part of, or as an alternative to, other proposals for economic relief for farmers. Assistance to cooperatives became a part of federal farm policy.

The statement of purpose at the beginning of the law clearly defined what the bill aimed to accomplish. The bill, rather short as such matters go, began with defining “agricultural products.” The second section directed



Harvesting corn and wind in the Midwest; U.S. farmers and ranchers are the most productive in the world, and cooperatives play a big role in their success. USDA, in turn, supports the nation's cooperatives with research, educational materials (including this magazine), statistics and technical assistance.



the secretary of agriculture to establish a division of cooperative marketing within the Bureau of Agricultural Economics “or in the bureau of the Department concerned with the marketing and distribution of farm products.”

Section 3 spells out the functions the division is authorized to perform. It is to “render service” to cooperatives engaged in “the cooperative marketing of agricultural products, including processing, warehousing, manufacturing, storage, the cooperative purchasing of farm supplies, credit, financing, insurance and other cooperative activities.” It is to acquire and disseminate information regarding cooperative associations in the United States and foreign countries.

The division is also authorized to conduct studies of the economic, legal, financial, social and other phases of cooperation, including analyses of problems of cooperative associations. When requested by a cooperative, the Division could make surveys and analyses of the cooperative’s business practices and report the results back to the cooperative.

Section 3 also directs the division to confer and advise groups of producers

interested in forming cooperatives. The Division is to acquire production and marketing data regarding agricultural commodities and make the data available to “cooperative associations and others.” Finally, the section directs the division to promote the knowledge of cooperative principles and practices.

Section 4 states that the secretary of agriculture can call advisers to meet with him or her and their representatives relative to specific problems of cooperative marketing or any other cooperative activity. Producers of agricultural products can, according to Section 5, act together or through a common agent, exchange and interpret crop, market, statistical, economic and other information. Section 6 authorizes the Secretary to make such rules and regulations as were necessary to carry out the act.

Essentially, the legislation directed the secretary of agriculture to establish a Division of Cooperative Marketing to carry on a comprehensive program of service, research and education for agricultural cooperatives. In addition, agricultural producers, working through cooperatives or other agencies, were permitted to exchange crop and market information.

The law contained little that was actually new. Rather, it directs that work with cooperatives, much of which was already being done, should continue on a permanent basis, not be subject to year-by-year decisions of the secretary of agriculture or of Congress.

Division of Cooperative Marketing Organizes

As the Division of Agricultural Cooperation was replaced by the Division of Cooperative Marketing, some cooperative leaders were concerned because cooperative marketing was emphasized to the exclusion of cooperative purchasing. Others pointed out that antagonism of the competitive trade to farmer marketing cooperatives was declining, but that strong prejudice still existed against the more recently developed purchasing associations.

It seemed impossible to keep the old name in view of the wording of the law. But the problem was not as serious as it might have seemed. Earlier, a compromise had been made while the law was being drafted to define marketing as including “processing, warehousing, manufacturing, storage, the cooperative purchasing of farm sup-

plies, credit, financing, insurance, and other cooperative activities.” Thus, almost any aspect of agricultural cooperation was eligible for research, education, and assistance with organizational and management problems.

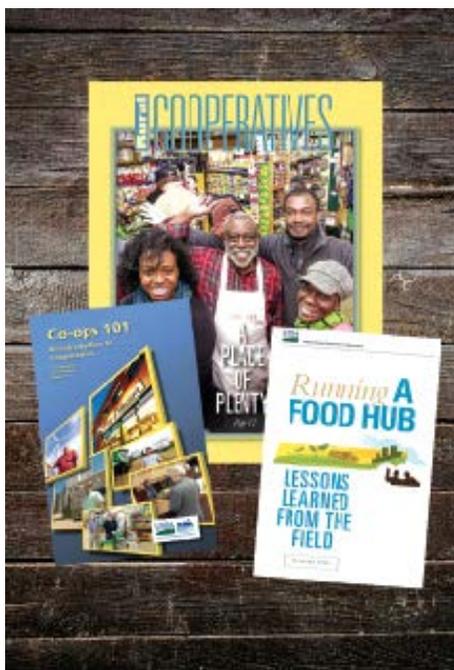
The Cooperative Marketing Act charged the Division with extending the principles and practices of cooperation among farmers. The Division worked with agricultural colleges, Extension services, and cooperative associations in promoting and carrying out short-term schools in which these principles and practices were presented. Two new films, Cooperative Marketing — Pacific Coast Eggs and Cooperative Marketing in the United States, were released. The Division also made arrangements to assign one of its cooperative marketing specialists to work with the Extension Service. Research projects concerning ag co-ops too numerous to list here were carried out.

By 1928, Chris L. Christensen, who headed USDA's Co-op Marketing Division, said in his annual report that greater progress in cooperative organization among farmers had been made during the past 10 years than during any other period in American agriculture history. The growth could be explained only by concluding that cooperation was rendering a distinct service to farmers.

Research during the year had been along four major lines: the development of cooperatives within each major commodity group; business studies of individual cooperative associations; legal phases of cooperatives; and cooperative purchasing of farm supplies. The study of farmers' grain elevators — in cooperation with the agricultural colleges of Minnesota, North Dakota, South Dakota, and Montana — was continued.

Legal and finance information needed

USDA's co-op staff was called upon to assist existing cooperative



More than a million proudly served: In just the past 25 years, USDA has circulated more than 1.2 million co-op education, research and statistical publications. In the past 15 years or so, many more have been viewed and downloaded from the Internet. A recent study found that USDA remains the nation's No. 1 source for co-op educational materials.

associations with their legal, financing and merchandising problems. There was also demand for information on accounting and pooling practices, as well as to assist farmers who were contemplating organizing cooperatives.

The Division's educational activities were strengthened by cooperating with Extension services and state agricultural colleges to hold short-term schools of cooperative marketing in numerous states. The Division's service activities included such projects as advising on the reorganization of the American Rice Growers' Association and preparing a standard set of bylaws for farmers' elevators, at the request of farmers' elevators in the spring wheat area.

In the three years after passage of the Cooperative Marketing Act, the principal change in the scope of work had been caused by increasing demand for service assistance. There was an

almost constant series of requests for assistance in formulating financing, operating and merchandising policies. At the same time, research was essential for providing services.

In addition to general analyses of legislation and court decisions and a revision of the bulletin "Legal Phases of Cooperative Associations," the Division gave specific advice and assistance to groups interested in forming cooperatives and to existing cooperatives.

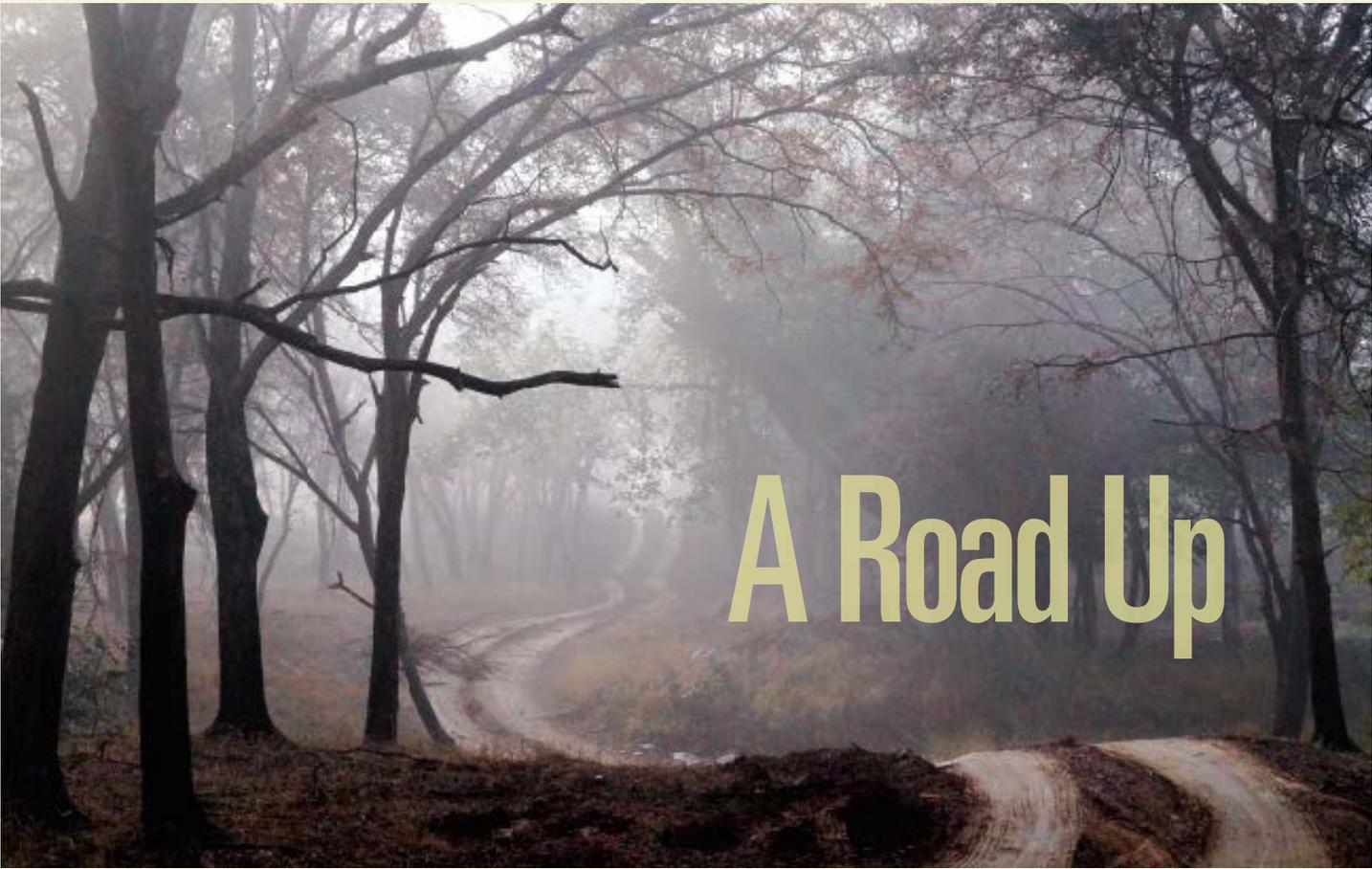
The Division continued to collect and publish statistical data. Some 8,000 of the 11,400 active cooperatives that the Division had on record furnished data.

Ensuring continuity of service

The Capper-Volstead Act of 1922 has been called the Magna Carta of cooperatives. Certainly without such legislation, cooperatives would not have gained their present important position in the agricultural economy. Similarly, the Cooperative Marketing Act of 1926 has been called the Constitution of USDA's service to cooperatives. It outlines the duties of USDA's Cooperative Service, but most important, it provides for continuity of service, just as our federal Constitution provides for continuity in our national government.

For more than nine decades, the Cooperative Service — whatever its title or place within USDA's organizational structure — has, under the law, carried out a program of service, research and education for agricultural cooperatives.

Today, USDA's support for cooperatives is continued through the Rural Business-Cooperative Service, part of USDA Rural Development. While its research and technical assistance functions have been reduced in recent years, it continues to be the nation's leading source for information, research and statistics about cooperatives. ■



A Road Up

Rural roots led to Melbah Smith's life-long devotion to co-ops

By Alexis Solano, Ag Economist
USDA Cooperative Programs

Editor's note: This article is based on a webinar Melbah Smith presented in February as part of USDA's observation of Black History Month. Margaret Bau of USDA Cooperative Programs also contributed to this article.



Melbah McAfee Smith spent 40 years developing and working with cooperatives in Southern states, including Mississippi and Alabama. Her life-long passion for supporting cooperatives as a way to help rural people build a better way of life was largely sown during her childhood,

observing how informal cooperation helped people overcome many of the obstacles they faced.

Smith was born in Rankin County, Miss., to a family that farmed 40 acres. She began her education in a one-room schoolhouse, but went on to earn a business administration degree from Mississippi Valley State University and a graduate degree from Tuskegee University.

In 1972, she moved to Epes, Ala., and was named director of consumer cooperatives at the Rural Training and Research Center, operated by the Federation of Southern Cooperatives (Federation). Beginning later that year and lasting until 1974, she was the director of the Black Belt Community Health Center. Throughout the rest of

the 1970s, Smith worked with the Federation in various capacities.

Through the Federation, she traveled to Washington, D.C., to discuss the needs and challenges of rural residents. In 1978, Smith became the director of the Mississippi Association of Cooperatives (MAC), a position she held until her retirement in 2009. During her tenure with MAC, she also worked with Alcorn State University Cooperative Extension and served as the executive director of the Mississippi Center for Cooperative Development.

Smith helped a network of cooperative development centers organize Cooperation Works, a national network of co-op development centers and practitioners. Even after her

retirement, Smith continued to work with cooperatives as director of the Coalition for a Prosperous Mississippi. For her tireless work with cooperatives and rural communities, in 2009 Smith was inducted into the Cooperative Hall of Fame.

Product of her roots

Growing up in Brandon, Miss., heavily influenced Smith's life and career. She believes that "she is who she is" because of her parents and their commitment to work — whether her father's work was for his family or for someone else. In many rural communities, families pitched in and worked together to achieve more than they could have alone. This cooperation within these communities shaped her later work with cooperatives.

Smith's family did not directly participate in the Civil Rights

Movement, due to her mother being threatened with the loss of her teaching job if she had. Faced with the inequities of the time, Smith saw how cooperation within her community helped to offset some of its lack of resources.

Her community was one of the last to receive electricity, phones and a water system. Paved roads were also scarce. Her father would have to walk through the woods on rainy nights to get to work because the dirt roads were not drivable. This was something that greatly frustrated Smith. While attending a one-room school with only one teacher, who taught grades 1-8, she and other students noticed a disparity; books and other materials previously used were passed down to them from "White" schools. The question was raised: why?

However, the community did work together to achieve what it could.

Although the community could not do much about the used books that she and her classmates received in school, residents and the local church worked together to provide the students with used church pews to sit on, clean drinking water and other necessary school materials.

These experiences shaped Smith's life and her work. Her parents encouraged both her and her brother to get an education and to be engaged in their community. After Smith earned her college degree, she began working with the Head Start Program. Through this work, she learned more about her community and the residents, some of whom had only meager incomes.

Working with many children who sometimes received only one meal per day raised Smith's awareness that she could help to bring about change. After her time with Head Start, she began her

Melbah Smith believes that many African American farmers gained the courage to form cooperatives as an outgrowth of their experiences in the Civil Rights Movement.



**Working together, Smith says,
is an art form. Everyone
must be in tune. They need
to share talents, skills
and — most of all — learn
to compromise.**

career with the Federation, an organization which at that time consisted of 22 cooperatives. The Federation was established to provide cooperatives with the technical support needed to achieve their goals.

Gaining courage to form co-ops

Smith believes that many African American farmers gained the courage to form cooperatives as an outgrowth of the Civil Rights Movement. They saw an opportunity, through group action, to increase their incomes to better support their families. They saw inequities and found that if they worked together, they could become stronger. The Civil Rights Movement taught them that if they stood together, challenges were much easier to overcome.

One example of this convergence of social forces, Smith says, is the Mileston Cooperative Association, formed by 50 African American farmers near Tchula, Miss.

Prior to the co-op being formed, these farmers had trouble getting their cotton ginned in a timely fashion. When the African American farmers hauled their cotton in trailers to the cotton gin, their cotton was the last to be ginned, after the cotton from White farms had been ginned.

Thus, the Black farmers' cotton often sat on the trailers outside the gin for weeks, where it was exposed to sun and rain. By the time it was ginned, the fiber quality would often have deteriorated, leaving African American farmers with a loss of badly needed income. As bad or worse, these delays also tied up their trailers, which were needed back on their farms to harvest the remainder of their crops, which were also exposed to the elements, hurting the value.

So these farmers banded together to form Mileston Cooperative Association, which Smith says was very successful in ensuring members' crops were processed in a more timely way.

Smith's work with the Federation

brought about important lessons for cooperative members. Many members had visions of what they wanted their cooperatives to do, but they didn't know how to get the co-op to that level. Members' needed more training in key areas such as business planning and product marketing.

Smith believes that if people understand how cooperatives work, and if members are willing to work hard, cooperatives can be successful. The Federation offers ongoing education and technical assistance to cooperative members to help them achieve continued success.

Smith stresses two major points. First, in addition to association-level support — such as that which the Federation and the MAC provide — cooperation among cooperatives promotes success. She sees the opportunity for larger cooperatives to provide support to small cooperatives. Small cooperatives can learn from larger, more successful cooperatives, and thus both can be made stronger from this support.

Second, there are many residents and communities in Mississippi who desire to form cooperatives in a number of sectors to help expand economic opportunities in their communities. But they are limited by the current state cooperative law, which only allows for the incorporation of agricultural and marketing cooperatives. According to Smith, many people would like to see this law amended, creating opportunity for other types of cooperatives in more sectors to be formed, such as worker-owned and consumer cooperatives.

At present, anyone desiring to incorporate a cooperative — other than for those purposes mentioned above — must do so outside the state. “This places an unnecessary hardship on low-wealth individuals and communities,” she says. “They too should be afforded the opportunity to form a co-op, the same as afforded agriculture cooperatives.”

Keys to co-op success

Smith sees several keys to co-op success, including:

- A clear vision is a MUST.

Members must have a clear vision of where they want to go.

“Write the vision, and make it plain so that those who read it may catch hold and run with it.”

- In order to fulfill the vision, members must have a mission statement which states exactly how they will accomplish this vision, with clearly defined goals and objectives. This statement provides a clear path to achieve the vision.

- Trust is a key factor in working together; potential members need to ask themselves if they can work with, and trust, others in the cooperative. If not, then this may not be the avenue for them. It may be that they should look at other business ventures. They must be sure that they want to be a part of a cooperative.

- Know that forming a successful cooperative does not happen overnight.

- Just as important as having a mission statement is that members have faith that they will succeed.

Working together, Smith says, is an art form. Everyone must be in tune. They need to share talents, skills and — most of all — learn to compromise. “It's not *my* way, it's *our* way,” she says. Members must respect each other and learn from each other.

Smith says she still learns from others. When she does group training, she reflects on what she has learned from the people she trained. She shares her knowledge with others and receives much back from them.

Smith believes that cooperatives bring people together to build communities. The cooperative movement has done so much to help rural communities, but the work isn't done. One person cannot do it alone, she stresses. People need to cooperate so that the movement continues. ■



Market-Driven Aid Has Big Impact

Land O'Lakes, USDA collaboration helps transform lives in Malawi

By Twanna A. Hines

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***Editor's note:** Hines is a senior communications specialist with Land O'Lakes International Development, a nonprofit that has a 35-year affiliation with Land O'Lakes Inc., one of the largest farmer-owned cooperatives in the United States.*



USDA's mission to assist farmers and support agricultural growth extends far beyond U.S. borders.

In Malawi, a landlocked country in southern Africa, rural farmers are enjoying increased income and food security, thanks to a program called Malawi Food for Progress. The nearly

five-year-old program, which began in 2011 and concludes this year, was implemented by Land O'Lakes International Development and funded with an \$11-million investment from USDA.

Why does the U.S. government invest American taxpayer dollars abroad to help build stronger economies in developing nations? The reason is



Representatives from Lifuwu Research Station lead a training session for farmers. To ensure the availability of certified rice seed and provide a new source of income for smallholders, Land O'Lakes International Development partnered with the research station. Photo by Twanna A. Hines

simple: USDA assistance not only helps countries around the world become more food secure and raise income, but it also protects and promotes U.S. interests abroad, including the expansion of markets for American producers.

Motivated by similar goals, in 1981, Land O'Lakes Inc. established an International Development group

focused on building markets and transforming lives by providing technical assistance through U.S.-government-funded international agricultural development programs. Since inception, nearly 300 Land O'Lakes International Development programs have benefited more than 3 million people in 80 countries.

Land O' Lakes started working in

Malawi in 1999, running successive programs — with the support of the U.S. Agency for International Development (USAID) — through 2012 to help build and strengthen the dairy value chain for smallholder farmers and enterprises. The goals were to alleviate poverty, build markets and strengthen food security. Shortly after those efforts culminated, Land O'Lakes

International Development began partnering with USDA through the global Food for Progress program to have an impact through a different set of value chains.

Through Malawi Food for Progress, Land O'Lakes International Development's market-driven, private sector-led approach helped about 70,000 smallholder farmers increase their production and marketing of cassava, rice and small livestock through improved farming technologies, including irrigation. Through market linkages developed and expanded by the

34,000 members. This helped to harness the power of the members' own communities by saving nearly 781.5 million Malawian Kwacha (equivalent to about \$1.65 million). The VSLs have made loans worth 526.4 million Kwacha (\$1.1 million) to community members.

How the program worked

The Malawi Food for Progress program took a market-driven approach to developing the rice, cassava and small livestock (goat and poultry) value chains by leveraging the power of farmer cooperative and producer groups. It

approach, the program trained highly experienced farmers to "cascade knowledge" down and demonstrate appropriate farming techniques to others. The Malawi Food for Progress program also supported efforts to stimulate these key value chains by distributing more than 103,000 bundles of improved cassava cuttings, 75 metric tons of rice seed, 2,665 goats and 9,000 chickens.

Land O'Lakes Inc.'s technical expertise was tapped to create a locally appropriate version of the co-op's Answer Plot® technology (known as

Ultimately, the program worked with 78,577 smallholder farmers to help increase their production and marketing of cassava, rice and small livestock through improved farming technologies, including irrigation.

program, farmers gained additional opportunities to build markets and increase household income by selling surplus products (beyond what was needed for their own subsistence).

This comprehensive program also promoted "climate-smart" agriculture and dietary diversity, as well as improved hygiene and nutrition among farm families. It has helped ensure that interventions went beyond household economic growth, to also build stronger, healthier communities.

In addition to hands-on, practical training, the program also reinforced techniques for improving on-farm production through use of mobile short message service (SMS)/text campaigns, radio broadcasts, billboards and other information sources, as well as information and communication technology (ICT).

To promote greater resilience to environmental and economic shocks — as well as to help community members invest in business growth — the program worked with farmers to establish 1,414 Village Savings and Loans (VSL), which have more than

enhanced their access to critical inputs and services, as well as to reliable sales markets.

On the market side, the program also strengthened agribusinesses by providing tools and expertise to boost productivity and better meet the needs of the farming communities. At the same time, a "Buy Malawi" consumer promotion effort was launched to ensure that consumer demand kept pace with the growing supply of quality rice, cassava and small livestock.

Improved ag production and nutrition

According to the Food and Agriculture Organization, 84.5 percent of Malawi's labor force is engaged in agriculture. Yet, many farmers struggle to rise above subsistence level production. Earning a living wage is complicated not only by natural disasters, such as drought, but also by limited access to productivity-enhancing inputs and services, lack of knowledge about optimal farming techniques, and poor market access.

Using a "train the trainers"

YankhoPlots™ in Malawi). This helped showcase the impact different cassava plant varieties, fertilizers, row spacing, seed depth and other factors have on productivity. The program also upgraded six rice irrigation sites and established water user associations to ensure their sustainable management.

Strengthened farmer organization capacity

Given its affiliation with one of the leading farm-to-market agribusinesses in the United States, Land O'Lakes International Development believes in the additive power of bringing farmers together to leverage economies of scale to access inputs and services, as well as for reaching wider markets. Consequently, in addition to upgrading the skills of individual farmers, the program strengthened or established 205 farmer groups producing cassava, rice and livestock.

To help empower women producers, each group had at least one female leader.

However, bringing people together into cooperative and producer group



Malawi Food for Progress worked with farmers to establish 1,414 Village Savings and Loans (VSLs), which have more than 34,000 members. Here, the VSL treasurer (right) leads a “share-out” ceremony. In addition to training on good saving practices, VSL members learn about ways to strengthen their businesses. Photo by Jeff Chisale; All photos courtesy Land O’ Lakes

structures is often insufficient to ensure that they can foster the democratic decisionmaking and value-added efforts for members. With the support of USAID, Land O’Lakes International Development created the Agricultural Producer Organization (AgPrO) Manual for cooperative development. The manual includes modules on governance, group cohesion, strategic planning, marketing, business and financial management.

The AgPrO manual was used to train farmer groups in the Malawi Food for Progress program in how to surmount a wide variety of challenges. The manual was adapted to include technical modules that conformed to Malawian government regulations. It was then translated into the local language of Chichewa.

To further harness members’ collective selling power, Land O’Lakes International Development also facilitated 20 “meet the buyer” events. It also invited buyers and input

suppliers to farmer field days at the YankhoPlots™ locations to stimulate demand.

Strengthen agribusiness and support services

A key component to Land O’Lakes International Development’s approach to sustainability is to strengthen the viability of agribusinesses to better meet farmers’ long-term needs for crop inputs and services. The goal is to help them thrive long after our programs end. Often, this includes helping companies diversify their offerings to clients, to provide training to increase knowledge, and to improve their packaging and product marketing.

There are limited numbers of veterinarians in Malawi, and few of them work in the most rural areas. Land O’Lakes thus trained 95 highly experienced livestock farmers to provide animal health services. The program also provided 20 matching grants and services to agro-dealers to spur the

development of products that met program farmers’ demands.

Many Malawian farmers remain vulnerable to climatic shocks and struggle to manage their finances to retain purchasing power when crop farming only provides income once or twice a year. That is why Malawi Food for Progress also has helped clients learn how to save and helped form the Village Savings and Loans (mentioned above). The majority of these savings accounts are opened by women. The vast majority of these groups establish bylaws regulating how the funds can be used. Typically, borrowing is limited to the establishment of microbusinesses and other income-generating activities, or enhancing household health and nutrition.

Helping nearly 70,000 smallholder farmers

While the 2012 economic crisis hit Malawi very hard, by 2014 — according to data from the African Development Bank and others — its gross domestic product (GDP) increased to 5.7 percent, up from 2.1 percent in 2011. Much of this growth was driven by agriculture, which accounts for more than 30 percent of GDP, and still has tremendous growth potential.

However, there remain a number of ongoing needs and challenges in Malawi’s agricultural sector. These include outdated agronomic practices, poor soil fertility and an over-reliance on rain-fed agriculture, all of which combine to limit most farmers to one crop per year.

Despite these challenges, the program was still able to assist 78,577 farmers and meet or exceed most of the program’s targets. Land O’ Lakes International Development is very proud that VSLs were one of the project’s great successes, because these voluntary, self-help groups mobilized community resources to create positive changes in communities.

To learn more about Malawi Food for Progress, visit: www.landolakes.org. ■

Newsline

Co-op developments, coast to coast

Send co-op news items to: dan.campbell@wdc.USDA.gov



As the song says: "Grazin' in the grass is a gas, baby, can you dig it?" That certainly seems to be the case on this Organic Valley Co-op farm! The toddlers are undoubtedly smiling because the co-op just had its first \$1 billion sales year. Photo courtesy Organic Valley

Organic Valley sales top \$1 billion

Organic Valley, America's largest cooperative of organic farmers, had sales of more than \$1 billion for the first time in 2015. About 450 farmer-owners from 26 states heard the news in La Crosse, Wis., at the co-op's annual meeting. Mission-driven results for 2015 include a record-high pay price to farmers for organic milk, distribution of a bonus 13th check to farmers, instituting a drought-relief program and successful new product launches.

In December, Organic Valley reached a milestone for the co-op: record sales of \$1.04 billion. Founded in 1988 by seven struggling farm

families in Southwest Wisconsin, the farmer-owned co-op today has a membership of more than 1,800 farmers in 36 states. It is the first billion-dollar, organic-only food company.

"As we move into 2016, Organic Valley is stronger than ever; \$1.04 billion in annual sales is phenomenal, and we should celebrate our part in the growth of organic agriculture," said Board President Arnie Trussoni. "We must continue to hold tight to our original mission of keeping family farmers on their land."

Sales of organic products in the United States jumped to \$35.1 billion in 2013, up 11.5 percent from

the previous year's \$31.5 billion. It is the fastest growth rate in five years, according to the Organic Trade Association.

"Our success means we can provide a lifeline to more than 1,800 family farms and meaningful employment to 875 staff members," said George Siemon, a founding farmer and CEIEIO of Organic Valley. Sales growth in 2015 represents a profit of \$36.8 million, a 7-percent increase over 2014, enabling Organic Valley to issue a bonus 13th check that was distributed in March 2016 to all farmer-owners of the cooperative.

Co-op members enjoyed a record increase in farmer pay price, averaging

\$36.79 for dairy, with an organic premium of \$19.38 per cwt. — an average increase of 10 percent in most regions. That increase allowed Organic Valley dairy farmers to earn the highest organic premium over conventional dairy prices since the 2009 recession.

A drought-relief program piloted in 2015 was extended to aid farm families who suffered debilitating, severe drought conditions. Those families will continue to receive monthly relief payments through 2016, paying members based on length of time and severity of drought suffered.

Organic Valley was also proud to give back to the larger community, supporting more than 1,000 nonprofit organizations and schools with \$6.2 million in total philanthropic donations and sponsorships.

Diamond Foods bought by Snyder's-Lance

Diamond Foods Inc., formerly the Diamond Walnut Growers' cooperative, has been acquired by Snyder's-Lance Inc., one of the nation's largest snack food companies, according to a report in the *Stockton Record*. Snyder's, based in North Carolina, acquired all outstanding shares of Diamond Foods. Snyder's-Lance said it would continue to operate the walnut processing and related snack-foods production plant in Stockton, according to the *Stockton Record*. Diamond has been delisted from the Nasdaq stock exchange.

Hawaii co-op to start mobile processing

The Hawaii Island Meat Cooperative plans to soon be operating the state's first mobile slaughterhouse unit for hogs, cattle and other livestock. The co-op has hired staff and conducted training earlier this year, according to a report in the *Hawaii Tribune-Herald*.

A USDA meat inspector will oversee processing. In February, members of Island Grown Farmers Cooperative in Washington state oversaw training sessions for new butchers as well as some of the co-op's board members.

The mobile unit is based in Waimea, but will travel around the island, as needed, for on-the-farm processing, the *Tribune-Herald* reports. The co-op is still conducting a membership drive. To date, the co-op has secured more than \$500,000 in grants to operate the mobile unit.

DFA reports higher income, lower net sales

Dairy Farmers of America (DFA), Kansas City, Mo., had \$94.1 million in net income for 2015, up from \$43.1 million in 2014. The increase was attributed to strong performances from DFA's commercial operations and affiliates, as unit sales were up and margins improved. Net sales of \$13.8



billion were down from \$17.9 billion in 2014, due primarily to lower milk prices. Milk prices averaged \$17.08 per hundredweight in 2015, compared with \$23.97 in 2014.

"In 2015, we had a successful year and took strong action to support key strategic initiatives — most notably in the areas of assuring supply chain integrity, growing our commercial businesses and driving performance through innovation," says Rick Smith, president and CEO.

DFA marketed 62 billion pounds of milk in 2015, representing about 30 percent of the total U.S. milk production. The average 2015 price paid to members per hundredweight of milk was \$17.18, compared with \$24.17 in 2014.

The co-op distributed \$35 million in cash to members in 2015, compared to \$28 million in 2014. Members also received \$20 million in equity retirements and \$15 million of allocated patronage dividends in 2015.

Among DFA business highlights last year:

- The co-op expanded its

commercial investments in 2015 by acquiring the remaining ownership interest in DairyConcepts, an innovative cheese and dairy manufacturer. DFA previously was invested in the business as a joint venture partner.

- It broke ground on a new dairy ingredients plant in Garden City, Kan. The state-of-the-art plant will produce whole, skim and nonfat dry milk powders, as well as cream, and is a partnership between DFA and a group of member farms in Southwest Kansas.

- DFA also launched Live Real Farms Energy Drink, geared toward millennial families.

In other DFA news, the co-op is partnering with Arla Foods, a Denmark-based cooperative, and eight area farmers to build a \$58-million cheese plant in Western New York. Press reports say the facility will be located in Livingston County, about 23 miles southwest of Rochester.

Texas ag co-ops merging

Members of Ag Producers Co-op and Dalhart Consumers Fuel Association, both based in Sunray, Texas, have overwhelmingly voted to merge, effective Aug. 1. The co-ops reported that 95 percent of members voted for the merger. The unified co-op will operate under the Ag Producers Co-op name.

"This will certainly create a great co-op able to serve the farmers and ranchers of the Texas Panhandle," says Ag Producers Co-op General Manager Dave Reinders. "Without a doubt, the combined balance sheet of the unified company will be one which members should be proud of."

One immediate impact of the unification, he adds, is that agronomy products will now be offered at all locations. Ag Producers Co-op was created through multiple mergers and acquisitions over the past two decades.

Ag Producers also announced that it has completed a purchase agreement with Robinson Grain of Panhandle, Texas. The co-op's total grain storage capacity is 46 million bushels, and it

also operates three cotton gins.

CHS returns \$519 million to owners

Farmers, ranchers and cooperatives across the United States will share in an estimated \$519 million cash distribution from CHS Inc., St. Paul., Minn. The distribution ranks among the largest in CHS history and extends a five-year record of significant cash returns to owners.

The 2016 cash return to owners is based on CHS net income of \$781 million for the fiscal year ending Aug. 31, 2015. Between fiscal 2012 and 2016, CHS has distributed \$2.7 billion in cash, a \$544 million annual average.

The 2016 cash returns to owners demonstrate CHS' commitment to maintaining a strong financial foundation, providing economic returns to its owners and continuing to invest in the company's future, says Board Chairman David Bielenberg, a Silverton, Ore., farmer. "The ability of our owners, who are also our customers, to directly share in the financial success of CHS is a unique benefit of a cooperative business," says Bielenberg. "This cash return is added value that enables farmers, ranchers and member cooperatives to invest in their own futures and in the communities where they live."

The distribution beginning this month to about 1,100 member cooperatives and about 50,000 individual members and others consists of patronage paid on business conducted with CHS in fiscal 2015. During fiscal 2016, CHS will also redeem previously earned equity to eligible member cooperatives and individual members, as well as pay quarterly dividends on its five classes of CHS preferred stock.

Ohio cooperatives merging

Members of two of the largest ag cooperatives in Ohio have approved a merger. Sunrise Cooperative and Trupointe Cooperative members cast votes in March, resulting in 64 percent

of Sunrise members and 73.9 percent of Trupointe members favoring the merger.

On Sept. 1, operations will begin as Sunrise Cooperative Inc., with all corporate functions being conducted from offices in Fremont and Piqua, Ohio. George Secor, the current CEO of Sunrise, will lead the new entity.

The newly combined co-op will have more than 7,000 members and operate more than 40 facilities with more than 400 full-time employees. It will begin operations with annual sales of just under \$900 million. Products and services will be provided in agronomy supply, animal nutrition, grain marketing, fuels, propane, turf and ornamentals.

The vote shows that the cooperative vision for the future aligns with that of

VAPG application deadlines approaching

Agriculture Secretary Tom Vilsack in April announced that USDA is making up to \$44 million available to farmers, ranchers, producer-owned cooperatives and other businesses to develop new, bio-based products and expand markets through the Value-Added Producer Grant (VAPG) program. "America's farmers, ranchers and rural business owners are innovative entrepreneurs, and this program helps them grow economic opportunities for their families and communities by increasing the value of the items they produce," Vilsack says.

VAPGs may be used to develop new products and create additional uses for existing ones. Priority for these grants is given to veterans, members of socially



A Sunrise Cooperative field representative provides crop advice to a co-op member. Sunrise and Trupointe Cooperative members have voted to merge. Photo courtesy Sunrise Cooperative

the members, says Larry Hammond, president and CEO of Trupointe, adding that the merger "will create additional opportunity for increased member value."

"This merger really was, and is, about creating more for our members together than we could separately," adds Secor. "As we move forward, we will work hard to deliver on that promise for our members."

disadvantaged groups, beginning farmers and ranchers, and operators of small- and medium-sized family farms and ranches. Additional priority is given to applicants who seek funding for projects that will create or increase marketing opportunities for these types of operators.

More information on how to apply is on page 20,607 of the April 8 Federal Register. The deadline to submit paper

applications is July 1, 2016. Electronic applications submitted through grants.gov are due June 24, 2016. Additional information and assistance is available through the USDA Rural Development office serving your county.

Examples of cooperatives that were awarded VAPGs last year are:

- The Wisconsin Ginseng & Herb Cooperative received a \$250,000 VAPG to market and promote sales, including processing of its value-added products in Vietnam.

- The Yard to Market Cooperative Assoc. of Texas received a \$20,000 VAPG to increase marketing capabilities for the cooperative's locally grown produce.

- Florida Southeast Milk Inc. received a \$250,000 VAPG to expand the co-op's product line by processing, packaging and marketing an extended shelf life half-and-half cream product.

- The Wisconsin Food Hub Cooperative received a \$50,000 VAPG to expand its markets for lettuce and summer squash.

Since 2009, USDA has awarded 1,126 VAPGs worth \$144.7 million, including 205 grants to beginning farmers and ranchers.

Record patronage paid to NorthStar Co-op members

Record patronage of \$1.2 million, half of which will be in cash, is being paid to the 980 producer-members of NorthStar Cooperative. This marks the 14th consecutive year in which members of the Lansing, Mich.-based co-op have received year-end patronage. Patronage in that time has totaled \$7.5 million.

This year's patronage is equal to 7.5 percent of purchases from the co-op. Patronage payments are made possible by strong sales, which have doubled in the past decade, to \$30 million. Owned by dairy and beef producers, NorthStar offers breeding and dairy herd improvement services to producers in Michigan, Wisconsin and Indiana.

"Thanks to record earnings in 2015, member-owners of NorthStar

Federation slates annual meeting



The 49th annual meeting of the Federation of Southern Cooperatives/Land Assistance Fund will be held Aug. 19-20 in Epes, Ala., at its Rural Training and Research Center. The meeting will include exhibits, keynote speakers, USDA panel discussions, workshops, agri-tours and an update on the Hispanic and

Women Farmers and Ranchers lawsuit settlement.

The annual meeting will be preceded on Aug. 18 by the 15th annual Estelle Witherspoon Lifetime Achievement Award Dinner, at the Birmingham Sheraton Hotel. Witherspoon was a leader and founder of the Freedom Quilting Bee in Alberta, Ala., who was renowned for service to her community. This year's honoree will be announced at a later date.

The Federation is a nonprofit cooperative association organized by 22 grassroots cooperatives from across the South. Along with training, education and technical assistance to limited-resource farmers, ranchers and landowners, the Federation's work includes cooperative development, marketing, wills and estate plans and affordable housing.

The Federation owns more than 1,000 acres of farm and forest land near its training center in Epes. The Federation is owned and controlled by its member cooperatives and employees.

For more meeting and sponsorship information, e-mail: fsc@federation.coop, or call (404) 765-0991.

Cooperative have received the greatest patronage distribution in NorthStar's history," says co-op General Manager Mark Adam. "This patronage distribution not only shows the financial strength of the cooperative, but our commitment to producers and the dairy and beef industries as a whole."

The co-op is also paying a 67-cent dividend per share of Class A preferred stock, also a new record. Since 1999, a share of Class A stock has risen in value from \$10 to \$34.25, Adam notes.

The co-op provides Select Sires genetics, marketing a record 1.04 million units of semen last year. NorthStar also analyzed more than 4.3 million milk samples at its two testing laboratories while its dairy herd improvement service tested 4.6 million cows.

Indiana co-ops merging

Members of Jackson-Jennings Farm Bureau Cooperative Association Inc. and Premier Companies (Premier Ag Co-op Inc.) have voted to approve a merger. The merged organization will keep the Premier Companies name. It will serve 14 counties in Southeastern Indiana with agronomic inputs, energy, grain marketing and a wide variety of other products and services for agriculture and consumers.

The merger creates a company of about \$250 million. It means little change for members, customers or 200 employees. Jackson-Jennings was founded in 1929; Premier was founded in 1923.

"Both cooperatives entered into this merger with extremely strong balance sheets and histories of exceptional

service to the communities they serve,” says Harold Cooper, Premier CEO. “We believe our unification will create a diverse organization positioned to serve its members in Southeast Indiana efficiently and effectively in the dynamic and rapidly changing agriculture environment.”

In a November joint board meeting, directors unanimously voted in favor of the merger. Prior to that vote, both co-ops thoroughly reviewed financial and operating information for each company. This due diligence process took nearly a year to complete.

MaxYield Co-op buying Andersons’ facilities

MaxYield Cooperative of West Bend, Iowa, is buying eight grain and agronomy facilities in Iowa from The Andersons Inc. Andersons acquired the eight facilities as a part of a 2012 acquisition from Green Plains Grain Co. The Tennessee assets acquired during that same transaction will remain a part of Andersons.

This transaction does not divest or involve Andersons’ ethanol facility or recently acquired Nutra-Flo facilities in Iowa.

“MaxYield currently has facilities in 17 rural communities and has 1,700 members, many of whom will have increased access to grain, agricultural inputs and services as a result of this transaction,” says Howard Haas, MaxYield Cooperative board chairman.

NDFU invests in Prairie Roots Food Co-op

North Dakota Farmers Union is investing \$10,000 in Prairie Roots Food Cooperative, a new member-owned grocery store coming to downtown Fargo in late 2016. The Farmers Union investment in the new food co-op is an example of the kind of cooperation that sets the cooperative movement apart, said Mark Watne, NDFU president.

“A food co-op in Fargo that features local food from our farmers and ranchers is going to be a great addition to the marketplace,” he says. “We’re



Thomas Gray, Ph.D. (left), receives the “Best Professional Paper Award” from Southern Rural Sociology Association (SRSA) President Ken Robinson of Clemson University. The presentation was made Feb. 8 at the SRSA meeting in San Antonio, Texas. Gray and co-author Carolyn Liebrand received the award for introducing local/global concerns in four studies about dairy farmer satisfaction with their cooperatives.

pleased to be part of helping Prairie Roots open their doors with our investment.”

Prairie Roots’ “OWN IT” capital campaign has a goal of raising \$1.1 million. The co-op, currently with 900 members, is dedicated to building a healthy community by providing access to natural, organic and local food. For more information, visit: www.prairie-roots.coop.

Portsmouth community now resident owned

Portsmouth, N.H., has its first resident-owned manufactured-home community, which becomes the 119th such co-op in New Hampshire. Using training and technical assistance from the New Hampshire Community Loan Fund’s ROC-NH program, residents organized and formed Woodbury Cooperative Inc. last September to convert their privately owned

manufactured-home park into a resident-owned community (ROC).

The cooperative and park owner reached a purchase price of \$800,000 before finalizing the deal with a mortgage from the Community Loan Fund.

“The residents’ purchase of this park ensures the preservation of affordable housing units in one of the highest housing-cost cities in the United States,” says Community Loan Fund President Juliana Eades. “The location is close to shopping and services, as well as employment opportunities for residents, and owning the land under their homes gives them control of their housing costs in the future.”

For 32 years, the Community Loan Fund, Concord, N.H., has worked in towns and cities across the state to connect people and families with loans, training and advice.

Weber to lead Nebraska Council

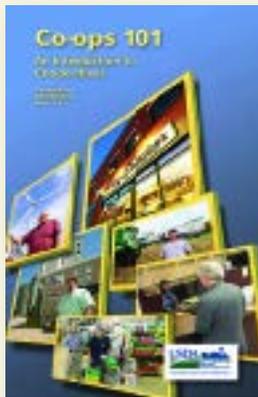
The Nebraska Cooperative Council has selected Rocky Weber as its president and general counsel. Weber succeeds Robert Andersen, who retired after 42 years of distinguished service as president of the council.

Weber was raised on a family farm near Plainview, Neb. A 1982 graduate of Doane College and a 1985 graduate of the University of Nebraska College of Law, he joined the Lincoln law firm of Crosby Guenzel LLP in 1987. He served as head of that firm’s cooperative law practice group since 2004 and as the managing partner of the firm from 1996 through 2015.

Weber is a member of the Legal Tax & Accounting section of the National Council of Farmer Cooperatives, the Nebraska State Bar Association, and is a lifetime fellow of the Nebraska State Bar Foundation.

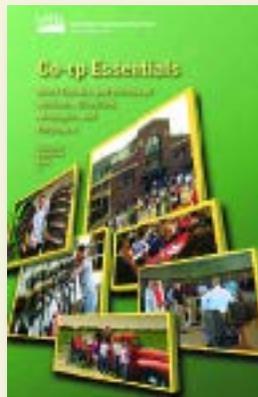
The Nebraska Cooperative Council, founded in 1945, is the state’s major trade association representing agricultural cooperatives with 56,200 farmer and rancher members. ■

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Co-ops 101: An Introduction to Cooperatives (CIR 55)

Probably the most widely read co-op primer in the nation, this report provides a bird's-eye view of the cooperative way of organizing and operating a business. Now in an attractive new, full-color format. Ideal for classroom use and member organization meetings.



Co-op Essentials (CIR 11)

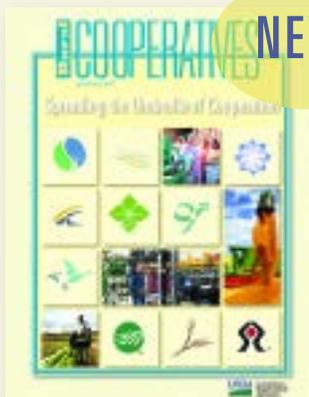
A companion volume to Co-ops 101, this is an educational guide that teaches further basic information about cooperatives. It explains what cooperatives are, including their organizational and structural traits. It examines co-op business principles and the responsibilities and roles of cooperative members, directors, managers and employees.

To order: USDA co-op publications are **free**, and available both in hard copy and on the Internet, unless "Web only" is indicated.

For hard copies: Please include the publication title and number, as well as the quantity needed. Send e-mail to: coopinfo@wdc.usda.gov, or call (202) 720-7395.

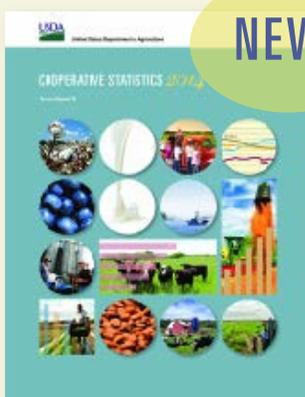
Send mail requests to: USDA Co-op Info., Stop 3254, 1400 Independence Ave. SW, Washington, D.C. 20250.

To download from the Web: Visit www.rd.usda.gov/publications/publications-cooperatives.



Organizations Serving Cooperatives (July-Aug. '15 magazine)

This special issue of USDA's *Rural Cooperatives* magazine includes complete contact information for nearly 150 organizations that provide services to cooperatives, with detailed overviews of 52 of the larger organizations. Listings include co-op financial institutions, trade/legislative groups, co-op development and co-op education organizations, among others. A limited number of these back issues are still available.



Cooperative Statistics 2014 (SR-78)

Provides a vital window on the agricultural cooperative economy, based on a survey of 2,186 U.S. farmer, rancher and fishery cooperatives during calendar year 2014. It shows another record year for ag co-op business volume and net income (before taxes). It also includes a wealth of information about financial ratios and other performance data that co-ops can use as a yardstick to examine their own performance.



How to Start a Cooperative (CIR 7)

This long-time favorite has been freshened with updated editorial content and a new design. This guide outlines the process of organizing a cooperative business, including the necessary steps involved in taking the co-op from idea to launching pad.

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